

JPRS-NEA-90-043  
14 AUGUST 1990



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# ***JPRS Report***

# **Near East & South Asia**

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# Near East & South Asia

JPRS-NEA-90-043

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14 AUGUST 1990

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## REGIONAL AFFAIRS

### **Sudan, Iraq Sign Security Cooperation Agreement**

90P40096A London AL-SHARQ AL-AWSAT in Arabic  
26 Jul 90 p 4

[Excerpt] Sudan and Iraq signed a security cooperation protocol at the end of Sudanese Interior Minister Major General Faysal 'Ali Abu-Salih's visit to Iraq which lasted five days. Sudanese President Lieutenant General 'Umar Hasan Ahmad al-Bashir welcomed Maj Gen Abu-Salih upon his return from the visit during which he met with President Saddam Husayn and the Iraqi interior minister.

The protocol, signed by Maj Gen Abu-Salih, provides for security apparatus support in Iraq and Sudan and the exchange of visits, expertise and training.

Accompanying Maj Gen Abu-Salih on his visit to Baghdad were the two general directors of the police and fire departments in Sudan. [passage omitted]

### **President Salih Discusses Kuwaiti-Yemeni Relations**

90AE0138A Kuwait AL-RA'Y AL-'AMM  
in Arabic 16 Jun 90 p 15

[Interview With Yemeni President 'Ali 'Abdallah Salih by Hamad Jasim al-Sa'id; "President 'Ali 'Abdallah Salih to AL-RA'Y AL-'AMM: Relations Between Yemen and Kuwait Are Distinguished; Every Yemeni Appreciates Kuwait's Aid in Eliminating Legacy of Backwardness; Aden, Economic Capital, Will Witness Activity That Will Influence Development of Republic's Economic Activity; We Have Established Unity on National Bases Focused on Democracy and Loyalty to God and Country; Politically and Economically, System Is Based on Plurality; We Will Not Permit Transitional to Become Permanent; Yemen Is Founding Member of Arab Cooperation Council and We Seek Integration With Other Brothers;" First Three Paragraphs Are AL-RA'Y AL-'AMM Introduction; Date, Place not Given"]

[Excerpts] The sisterly Republic of Yemen is undergoing a political, social, and economic move that is keeping up pace with the unity aspirations at the local and Arab levels. This is highlighted by the preparations to confront the reality with the resources available at all levels. Therefore, unanimous measures have been adopted to elevate Yemen to the level of the objectives embodied in the unity constitution which enjoys unanimous support and which has been embodied with sincerity and dedication to achieve the country's supreme interest.

[AL-RA'Y AL-'AMM] Mr. President, according to what the regional map indicates, it seems that Yemen is invited to join the Gulf Cooperation Council. The central circle of the Arab Peninsula will be thus made complete. Will this issue be the subject of interest of the new Yemen?

[Salih] As you know, Yemen is a founding member of the Arab Cooperation Council which, along with the other Arab councils, is a tributary of the Arab League and of common Arab action. By virtue of their structure, these councils ceaselessly seek to integrate, cooperate, and coordinate with each other so as to serve the good of the Arab nation and to bolster Arab solidarity in order to achieve the comprehensive Arab unity to which our nation aspires.

[AL-RA'Y AL-'AMM] What about the relations between Yemen and Kuwait?

[Salih] The relations between the two sisterly countries are strong and distinguished relations that have struck deep roots and gained sublime meanings. Every Yemeni appreciates Kuwait's outstanding contributions to bolstering our country's efforts to eliminate the legacies of backwardness in all shapes and forms.

Under the umbrella of the Republic of Yemen, these fraternal relations will be strengthened in a manner that is compatible with the two sisterly countries' aspirations and that embodies our Arab nation's aspirations.

### **Official Condemns Oil Workers' Use of Strikes** 90AE0143A Kuwait AL-WATAN in Arabic 14 Jun 90 p 7

[Article by Salih Nazzal: "Ministry Rejects Use of Intimidation To Impose Demands"]

[Text] The assistant under secretary for technical affairs of the Ministry of Social Affairs and Labor, and acting assistant under secretary for labor affairs, 'Abdallah Ghalum Husayn, said that the government categorically rejects the use of intimidation by the oil workers' unions to obtain certain demands. He emphasized that that method is considered a violation, contravention, and breach of law without any justification.

This was said in response to a question by the Kuwaiti News Agency about the unions' determination to carry out a general strike on 17 June 1990. 'Abdallah Ghalum explained the background of the dispute between these unions and the Kuwaiti Oil Agency and the Kuwaiti National Oil Company [KNOC], and the role that the Ministry of Social Affairs and Labor played as mediator between the two sides, in order to resolve the dispute through legal measures and by amiable means.

'Abdallah Ghalum pointed out that the Ministry of Social Affairs and Labor recently received three emergency telegrams from the chairman of the Board of Directors of the Kuwait Petroleum Company, the chairman of the Board of Directors of the KNOC Workers' Union, and the head of the Oil and Petrochemical Industry Workers' Federation [OPIWF]. These telegrams advised that the OPIWF had decided to enter a general strike on 17 June, because of what it called the Kuwaiti Oil Agency's decision not to back away from reducing the annual merit bonus. In their telegrams, these parties did not ask the Ministry of Social Affairs



and Labor to take any initiative or action, despite the fact that these unions carry out their activities under the ministry's supervision.

'Abdallah Ghalum Husayn went on to say that the ministry has also received letters from the Kuwaiti Oil Agency, the KNOC and the Petrochemical Industry Company, referring to the workers' decision to strike. The companies' letters enclosed a statement issued by the OPIWF, which contained the decision to strike.

#### Absence of Dialogue

Another statement from the Executive Council of the OPIWF, in solidarity with the workers of the oil sector, cited demands that had not appeared in the federation's previous statement. Moreover, the workers' union of the Kuwait Petroleum Company used the same language in another statement, which contained the same demands. Finally, a statement was issued by a so-called moderate group. 'Abdallah Ghalum stressed that the ministry knows nothing about this group, nor its identity, and that there is no record of it in the ministry. The ministry's assistant under secretary stated that this large number of statements demonstrated the absence of dialogue with the ministry that supervises popular organizations, including labor unions and federations. The ministry's information—including the statements issued by the unions—came by way of the oil companies.

With respect to how 17 June was fixed as the date for the strike, 'Abdallah Ghalum said that this determination, and the way in which it was done, was the method arrived at by all workers and all those concerned with the question of collective bargaining, wherever they occur in the world, both by the standards of local laws and by the standards of Arab and international labor.

#### Negotiation Steps

'Abdallah Ghalum stated that Article 88 of the Civil Sector Labor Law clearly laid down the guidelines of collective bargaining. They are represented by three basic and requisite steps:

- 1. Direct negotiations between workers, or their representatives, and the employers. Many disputes are resolved and concluded at this level of negotiations.
- 2. The mediation stage, whereby the Ministry of Social Affairs and Labor enters as a mediator between the viewpoints of the workers and employers, or their representatives. Ghalum said that many labor problems are solved during these stage.
- 3. The arbitration stage, in which the viewpoints of the workers and employers, in their submitted demands, as well as the views of the mediator, that is the Ministry of Social Affairs and Labor, are presented to the court, and the determination is left to the judge as he sees it. Consequently, his judgement is binding on the two parties.

'Abdallah Ghalum stressed that the OPIWF has not followed these prescribed channels, and has not asked

the Ministry of Social Affairs and Labor to intercede in this problem. He also noted that the federation was aware that, in the event direct negotiations came to naught, it must go to the ministry as the mediator.

Ghalum said that "despite the fact that an official request has not been submitted to the ministry in that regard, the minister of social affairs and labor believed that the call of duty obliged us in the ministry to take the initiative, if the others did not, using as a point of departure, the authority vested in us. The minister made it clear that in line with this thinking, the ministry would summon the OPIWF Board of Directors, and the heads of the other oil unions, to meet with the minister on 11 June. The ministry's under secretary, the assistant under secretary for technical affairs, the director of al-Ahmadi Labor Office, and the director of industrial relations in the ministry, would also attend.

"At that meeting, the minister reminded the federation and union representatives of the provisions of Article 88 of the Civil Sector Labor Law, and stated that the three steps previously referred to must be followed. The minister also stressed to them the ministry's complete willingness to participate in the negotiations, just as it has done many times in other, more difficult negotiations. These matters can be resolved without reaching the arbitration stage.

"The minister again emphasized that, in any event, he would not allow these negotiations to take place under the threat of strikes, because threats like these are aimed in the first place at the government and, in the nature of things, the government rejects such methods and practices."

Assistant under secretary 'Abdallah Ghalum Husayn pointed out that the oil federation and union representatives expressed their understanding in principle of the minister's presentation, the suggestions that he offered to deal with the dispute, and the method of solution. They said that they had to go back to their unions to obtain approval to enter into negotiations. However, unfortunately, the response was swift; the ministry was informed by the head of the OPIWF that the federation still adhered to its previous position, and that the strike date would continue to be 17 June.

#### Legal Damages

'Abdallah Ghalum stated that, in the face of this situation, the ministry has cleared itself of any questions that might be raised on any level whatsoever, affirming that it has done its duty. He added that the federation's persistence in its point of view and position was what has impeded those efforts. As a result, the Ministry of Social Affairs and Labor sent a letter to the federation's head, in which it reminded him of the text of Article 88 of the Civil Sector Labor Law, and placed upon him all resulting responsibilities for calling the strike, as well as any resulting legal consequences.

Ghalum stressed that the path of negotiations at any level, whether direct or through mediation, was the sound way to reach a solution to any bilateral or collective dispute. He said that at a time when we are conscious of this, through our long-standing practices with regard to collective bargaining, and from the standpoint of the ministry's experience since the early sixties—and before—in this kind of work, it is impossible for any authority to mediate between two contentious parties, if it allows itself to be under a threat or pressure of any kind whatsoever. What would you think about a threat directed against the government as a party that is exercising its obligations in a mediation process?

'Abdallah Ghalum went on to say: "We request the workers and their representatives in the oil sector to refrain from striking, and to sit down at the bargaining table for mediation. I am sure that with good intentions on both sides, we can reach a rapid solution, satisfactory to all concerned, as the minister of social affairs and labor expected in the meeting that he had with them on 11 June."

#### **Egypt-Iran Tie Building 'Required' in Face of Israel**

90AA0227B Cairo AL-AHRAM AL-IQTISADI  
in Arabic 18 Jun 90 p 49

[Article by Dr. al-Sayyid 'Ulaywah: "National Questions: When Will the Arabs Form an Alliance With Iran?"]

[Text] Arab strategic analysis has habitually monitored the threats to Arab national security emanating from regional neighbors such as Ethiopia, Turkey, and Iran in their role as traditional regional powers—as opposed to the greatest danger lurking in the heartland, Palestine. But ongoing changes on the international scene require us to abandon overworked molds of thought and raise new questions. Foremost among these: Why do the Arab states not form an alliance with the neighboring countries, particularly Iran?

In fact, such a call for reconciliation with Iran is not new. Many people have spoken about it, as I have already indicated in my article in the magazine AL-BAHITH AL-'ARABI (London, December 1987) during the Gulf war. The Iranian threat cannot be compared with either the Israeli threat or the Ethiopian threat. I tried to develop an approximate quantitative scale to measure the degree of danger based on several indicators that strategic thinkers have used. We hypothesized three dimensions for measuring the size of a threat: the location in place, the extent in time, and the intensity of occurrence.

The dimension of location can be divided into three weights: distant threats, threats located at a medium distance, and nearby threats. Next, the time dimension can be divided into three weights: temporary threats, short-term threats, and permanent threats. Finally, the intensity dimension can be divided into three weights:

ordinary threats, serious threats, and acute threats. Applying this to three of Egypt's regional neighbors—Israel, Iran, and Ethiopia—to measure the degree of threat to Egyptian national security, we obtain the following result. Israel represents a danger that is nearby (three points), permanent (three points), and acute (three points)—a total of nine points. This means that it is a threat of the first order.

Iran represents a threat that is distant (one point), short-term (two points), and serious (two points)—a total of five points. This means that it is a threat of the second order. Ethiopia represents a danger that is medium in distance (two points), temporary (one point), and ordinary (one point)—a total of four points. This means that it represents a threat of the third order.

One might even say that in light of the cease-fire between Iraq and Iran and the possible holding of a summit conference of the presidents of the two countries, the Iranian danger to Arab national security decreases to a third-order threat.

If we add to these things the bridges existing between some of the Arabs and Iran, such as the good neighbor policy with the sultanate of Oman and the United Arab Emirates, not to mention Iran's good relations with Syria, Algeria, Libya, and the PLO, there is common ground for resuming the historic relations between Cairo and Tehran.

All these factors favor the strengthening of ties between the Iranian revolution and the Arab world. There is no longer any argument against the possibility of an understanding between the Iranian revolutionary regime and the conservative Gulf states. The world as a whole, whatever its orientation, is witnessing fundamental and radical changes. For example, relations are being established between South Korea and the Soviet Union, and the Soviet Union is asking for membership in NATO.

We need not recall the famous saying by one of the major figures of politics: "There are no permanent friends or enemies. There are only a country's permanent interests."

We need only remind the Islamic republic in Iran of the Israeli danger to the entire Middle East region, the increasing congestion in the region due to the flow of waves of Jewish immigrants, and Israel's swallowing up of Muslims, their holy places, and their lands.

Then there are the dangers of the internationalization of the world economy, the unification of the international market, and the hegemony of the industrial states over the peoples of the poor countries in the south. Speak unashamedly of all these dangers!

Positive partnership in reshaping the political maps throughout the world is something that is required—yes, required!

### **Egypt Records \$3.7 Billion Growth in Arab Investments**

90AA0189A London AL-DUSTUR in Arabic 11 Jun 90 p 35

[Article by Muhammad Basyuni: "Two Years After Restoration of Arab-Egyptian Relations: Arab Capital Heads for Cairo"]

[Text] In the second half of 1988, a faint movement pulsed through the withered veins of [Arab-] Egyptian relations. Bilateral and multilateral relations returned to normal between Cairo and other Arab capitals.

It seemed on the face of it that the resumption of Arab-Egyptian relations was driven by the mutual desire to forget the years of disaffection, and by hopes for the attainment of common goals.

There is no doubt that diplomacy has targeted the Arab economy as a launching platform from which to garner Arab bilateral and collective interests in an attempt to accomplish a degree of Arab economic coordination.

How large was the flow of Arab investments into Cairo two years after the restoration of Arab relations?

#### **\$3.7 Billion in Arab Investments**

Egyptian Ministry of Economy figures indicate an increase in the [flow] of Arab funds and the volume of reciprocal trade between Egypt and Arab countries during the past two years (1988 and 1989). The combined value of transactions and Arab funds invested in Egypt by March 1990 amounted to \$37.4 billion dollars at the annual rate of \$1,852 billion dollars attributed as follows:

1. A reciprocal trade agreement between Egypt and Jordan with a value of \$250 million in 1988, rising to \$350 million in 1989.

2. A \$52 million reciprocal commercial deal between Egypt and Morocco

3. A trade cooperation agreement between Egypt and the Sudan valued at \$225 million annually of which \$105 million covers Egyptian exports to the Sudan and \$120 million covers Sudanese exports to Egypt.

4. The founding of a Sudanese-Egyptian holding company, with \$200 million in capital, invested in development projects. This is in addition to an \$80 million reciprocal trade deal.

5. A reciprocal trade agreement between Egypt and Iraq valued at \$250 million annually. The agreement allots \$3 million for the trade centers of each party.

6. An agreement with the United Arab Emirates [UAE] on commercial, economic, and technical cooperation and on investment promotion. The accord has borne several investment projects as well as trade valued at \$320 million annually.

7. An agreement on trade and economic cooperation with the Yemen Arab Republic in the fields of economics, investment, agriculture, health, education, and technology. The value of trade between the two parties has so far amounted to \$232 million annually.

8. Agreements in the fields of energy and electricity between Egypt and Jordan and Saudi Arabia.

9. Agreement between Egypt and Kuwait on technical cooperation in the field of air transport.

10. Trade agreements between Egypt and Qatar valued at \$120 million.

11. An agreement for trade and economic cooperation between Egypt and Libya. The accord led initially to the creation of a common trade zone between the two countries, open borders, and the trading of products in accordance with a study being presently undertaken. Trade, which commenced only during the first half of 1990, has amounted so far to \$120 million but is expected to grow to \$400 million annually.

12. A \$40 million reciprocal trade agreement between Egypt and Tunisia.

Even though most of those accords were officially concluded within the framework of reciprocity, facts statistically proven by the General Authority for Investments in Egypt indicate that Arab capital has begun pouring into Egypt.

Investment authority expert Muhammad Khayri says that private Arab capital poured into Egypt during the past two years as 47 investment projects were undertaken in agriculture, land reclamation, industry, tourism, and services, not to mention investment funding operations. Arab capital invested in the above projects amounted to 186,757,000 pounds (about 187 million pounds).

#### **Kuwait at the Forefront**

Arab capital that funds investment projects comes in different nationalities. The Jordanians account for 6.994 million Egyptian pounds; the Libyans for 2.142 million pounds; the UAE for 9.287 million pounds; the Tunisians for 250,000 pounds; the Sudanese for 22,000 pounds; the Saudis for 23,828 million; the Syrians for 20,000 pounds; the Iraqis for 1.859 million pounds; the Qataris for 13 million pounds; the Lebanese for 8.605 million pounds; the Kuwaitis for 32.547 million pounds; the Yemenis for 1.89 million pounds; and the Palestinians for 7.726 million. The figures clearly indicate that the Kuwaitis lead the list of Arab investors in Egypt.

Mahir Mustafa, principal of a real estate marketing company, emphasizes that the flow of Arab capital into Egypt was triggered by a body of laws promulgated during the past two years in order to attract investment, and especially Arab capital, to Egypt.

The laws stipulate, among other things, that:



1. Arab investors now have the right to own land and buildings to a maximum of 3,000 square meters per individual

2. Arab investors with facilities are to be granted facilities to implement projects at new tourist attractions on land provided at nominal prices not exceeding \$1 per meter. That has prompted agreements to create at Ghardaqah, at a cost of \$600 million, three tourist cities of which one is funded with Saudi capital, the second with Kuwaiti capital, and the third with UAE capital. Agreement was also reached on initiating several tourist projects with joint Egyptian-Moroccan capital.

Under the new law, Arab brethren bought thousands of lots and buildings and paid \$0.5 billion for real estate in the past 18 months.

### 12 Arab Companies

Twelve Arab-Egyptian companies were founded in the past two years to engage in shipping and transport, construction, and electricity. All are companies jointly owned by Egypt and Saudi Arabia, Jordan, Sudan, Iraq, and Yemen. The number of such companies is expected to grow this year to 18.

Egypt also received a number of loans from Arab funding institutions.

The Kuwaiti Fund for Arab Economic Development provided 10 million Kuwaiti dinars to fund the development of pharmaceuticals in addition to 4.7 million Arab dinar units of account to fund the Egyptian balance of payments.

The Abu Dhabi Fund for Economic Development also funded investments, especially in farming and tourism. It entered into a definitive agreement to reclaim 65,000 feddans in the Nubariyyah region, to be later expanded to 155,000 feddans. The reclaimed land is to be sold to the public and the proceeds used to reclaim other areas.

Of Arab project operation in Egypt in 1990, Investment Authority expert Muhammad Khayri says that 10 Arab companies will begin operations in the near future at an aggregate cost of about 546 million pounds.

The Gulf Company for Arab Investments owns five projects including a tin can factory, a gold center in al-Husayn, and a plant for self-adhesive products.

Dallah International holding company is building Egyptian Heritage Gardens in the 6 October area. A Jordanian-Egyptian seed company is also be founded.

Statistics released in 1989 by the General Authority for Investment in Egypt tallied investment projects at 1,659 with a combined capital of 7,544 million pounds and investment costs of 1,418 billion pounds. Arab investments account for 18 percent of all investment in Egypt, compared with only 14 percent in 1986.

### Egypt Examines Israeli Naval Development Program

90AA0227A Cairo AL-JUMHURIYAH  
in Arabic 14 Jul 90 p 3

[Article: "Israeli Naval Development Program: Ambitions and Threats"]

[Text] Israel's naval development program, which will enter the implementation phase within two years with the acquisition of two new submarines, five corvettes, and eight fast patrol boats, has raised many questions. Why this development now? What does this program mean? Are the program, its provisions, and its armaments linked to Israel's recent moves in the Red Sea, Africa, the Indian Ocean, and the eastern Mediterranean?

Does the program represent a new disturbance of the balance of naval forces with the Arab states? Why is the United States contributing to financing the bulk of the program?

The truth is that Israel's two-year-old naval development program, which will enter the implementation phase beginning in 1992, has been a subject of interest for a number of reasons:

First, there is the size of the program, which includes the purchase of three German-made Type 209 submarines, five Saar-5 corvettes, and eight fast patrol boats of the Super Dvora type. Total costs of the program will amount to nearly \$2 billion. This is the largest sum that Israel has ever allocated to naval forces. During the 1967 war, the Israeli navy had only three frigates, nine torpedo boats, and one submarine. Even after the sinking of the destroyer Eilat and the Israeli occupation of Sinai, which extended and increased Israel's coastline on the Red Sea and the Mediterranean, Israel had no more than 14 missile boats, 12 patrol boats, two submarines, and nine torpedo boats. After the October 1973 war and the beginning of the third phase of Israeli naval development, Israel's fleet reached 20 missile boats, three submarines, naval reconnaissance planes, and 41 patrol boats. Thus, the new Israeli naval program means a 40-percent numerical increase in missile boats and a 15-percent qualitative increase, a 30-percent increase in fast patrol boats, and a 100-percent numerical increase in submarines.

### Qualitative Development

Second, there is the quality of the vessels in the development program. The program includes the acquisition of five Saar-5 corvettes. These mean a great increase in quality for the following reason. Any warship design is always a compromise between four different kinds of feature. These include: heavy armament, full defense, superior speed, and long-distance endurance at sea. Corvettes are characterized by high speed, good armament, and endurance. Their loaded weight while performing attack and defense missions is between 600 and 1,500 tons. They have a range of 6,000 naval miles under

conditions of high seas, waves, and bad weather, while the figures for multipurpose Mediterranean theater units are between 500 and 8,000 tons for weight, 2,655 km for range, and 55 km an hour for speed. This means a change in Israeli naval strategy away from merely defending the coasts on the Mediterranean. In particular, the new corvettes are armed with two helicopters of the (Rufan) type, a short-range system of the Baraq type, nine surface-to-surface missiles, and a short-range gun system of the Phalanx type.

The development program includes the acquisition of eight patrol boats of the Super Dvora type with a range of 700 naval miles and the ability to stay at sea for three days at a time. Their armament includes 20 mm artillery, (Mag) machine guns, depth bombs, torpedoes, and 130 mm rocket launchers. The submarines, with a displacement between 900 and 1,300 tons, are medium-sized and will be able to remain at sea between 40 and 50 days. The program with its provisions means that the capability of Israeli naval vessels will go beyond the traditional naval missions of defending territorial waters.

#### **Interest in Mediterranean and Red Seas**

Third, there is Israel's view of the navy's function and mission. Israel in general pays special attention to air and land forces. The military conflict has not required naval cooperation on the two main battle fronts. The Syrian front does not face the coast. The Egyptian front provides room for maneuvering and movement, thus fitting the Israeli attack strategy of operating by a system of indirect approach to achieve rapid control. Furthermore, Israel is highly linked to the United States, which safeguards Israeli sea communications and supply routes. Why then is there an interest in developing naval forces at this particular time?

The truth is that Israel's interest in naval development reflects Israel's increased interest in the Mediterranean and Red seas, which are the theater of its naval operations.

Israel views the Red Sea as the only approach route to the Indian Ocean and an indirect approach to all the Arab confrontation and supporting states. The Red Sea and Bab al-Mandab lie at the southwest corner of the Arabian peninsula, and the Red Sea is linked to the Gulf of Aden and the Indian Ocean. Israel has thus fixed its eye on the Bab al-Mandab gateway, which links it to East Africa and Southeast Asia, since the southern entrance to the Red Sea is the only way to reach the port of Eilat at the head of the sea. Also, Bab al-Mandab is considered to be an important naval station on the long route between the Mediterranean and the Indian Ocean. In its land frontiers, Israel borders immediately on four Arab countries: Egypt, Jordan, Syria, and Lebanon. However, through the Red Sea Israel will be in a position that places it in contact with the borders or coasts of about eight Arab states: Saudi Arabia, Sudan, Djibouti, South Yemen, North Yemen, Egypt, and Jordan. Israel is trying to control the northern exits of the Red Sea by creating

alternatives to them through the projected oil pipeline from Eilat on the Gulf of 'Aqaba to Ashqelon on the Mediterranean and by establishing a land road from Eilat to northern Israel to service trade coming from Africa and Israel. Finally, the Israeli naval presence in the Red Sea and Israel's ability to reach the Indian Ocean from it amount to a service to the interests of the great powers, without involving the presence of these countries.

The situation in the eastern Mediterranean is no different from that in the Red Sea in Israel's military strategy; the two are linked and complementary. This strategy no longer sees the existence of two theaters of naval operations—Mediterranean and Red Sea. Instead, there is a single theater extending from the Arabian Gulf to the Mediterranean in the west. In its permanent ongoing dialogue with the United States and the European countries, Israel concentrates on reminding them that it is a Mediterranean country. It hints to them that America can no longer create a naval balance in the eastern Mediterranean by itself. This balance will be created only by additional support of the Israeli navy. The American navy's ability to operate in the eastern Mediterranean under crisis conditions has become extremely difficult in light of the increasing Soviet naval presence in the Mediterranean, particularly in Syria and Libya. Furthermore, the agreement of the United States to play an active role in safeguarding navigation in the Arabian Gulf and Indian ocean has led America to spread its naval efforts in two strategic directions—the Mediterranean and the Indian Ocean. Israel is also reminding united Europe that Europe needs Israel as a power dominating the eastern Mediterranean and that Israel alone is a partner with the United States and Europe. Europe has a vital interest in not having the Soviet navy dominate the eastern Mediterranean. Avraham ben Shushan, former commander of the Israeli navy, therefore indicated that Israel believes that the best method for Israel's navy is the strategy of putting pressure on the enemy and not waiting in place to see what the enemy will do.

#### **Redistribution of Forces**

Finally, Israel's naval development program and new interest in the Mediterranean and Red seas have been reflected in a reshaping and redistribution of Israeli naval forces. Some long-range missile boats of the Saar-4 and 4.5 type have been moved to the port of Eilat. Boats of this type have already sailed from Israel to the Red Sea by way of the Straits of Gibraltar and the Cape of Good Hope, showing their ability to stand up and their long range. Some people are pointing out that some of the new Saar-5 corvettes are being concentrated in the port of Eilat so as to be able to reach the Indian Ocean. The British Ikl/Vickers-206 submarines, which are suitable for the waters of the southern part of the Red Sea, are being regrouped in the port of Eilat. The new submarines, on the other hand, will be based in the Mediterranean and are suitable to depths of 100 feet, far from canals, gulfs, and straits. Large landing ships are

being based at the ports of Haifa and Ashdod. Medium landing ships are being based at the port of Eilat. In addition, special training courses have been added for submarine crews, where they receive airborne training.

### **IDF Activities in South Lebanon Districts Detailed**

*90AE0131A Paris AL-YAWM AL-SABI'  
in Arabic 2 Jul 90 pp 8-10*

[Text] Beirut—The fighting that is spreading inside Lebanon from Iqlim al-Tuffah to the southern suburb and Beirut, and the absence of any real initiative to produce a domestic settlement, might be reasons to forget what Israel is doing in the Lebanese territories that it occupies, which have come to be called the "border strip." If the fighting is distancing a domestic solution to the Lebanese crisis, it is also distancing occupied Lebanese territory and its population from national sovereignty, because, in the absence of a solution, the reality imposed by Israeli occupation forces in occupied south Lebanon and the western al-Biq'a' will become entrenched.

The "horse's spur" that is formed by the security zone is under the control of the South Lebanese Army (SLA), which is in turn under the control of the Israeli occupation authorities. This area separates "liberated areas" from occupied areas, and, while it may not be perfectly sealed, penetrating it is no easy matter.

During transit via the al-Nabatiyah-Kafr Tibnit route to the district of Marj'ayun, we armed ourselves with a permit that was possible to obtain on the basis of a press card issued by a foreign news agency, on the pretext of visiting a colleague from the border area who had expressed willingness to host us, and after promising to be satisfied with testimonies and to refrain from photographing or conducting live interviews.

### **The 'Strip' in Detail**

The area of the security strip is 25-km wide in some places and includes 98 municipalities and villages. Its population of about 300,000, includes tens of thousands of young men serve the occupation militarily through the SLA, which is led by collaborator Antoine Lahd.

The area is divided into five districts:

- The district of Marj'ayun: Completely occupied, it includes 24 towns and villages, including Marj'ayun, al-Khiyyam, al-Qali'ah, Balat, Dir Mimas, Sardah, Wazani, 'Alman, Kasayir, al-Taybah, al-Qantarrah, Kafrkala, 'Adisah, Qabrikha, Tulin, Dabin, Markaba, Talusah, Majdal Silm, Hula, Mis al-Jabal, Balida' al-Khirbah, and Tel al-Nahhas.

The district of Marj'ayun has a population of about 100,000; 35,000 live in the town of al-Khiyyam alone. About 2,000 young men of the district belong to the SLA.

The district of Jizin: Completely occupied, its 29 villages include Jizin, Rum, 'Azur, Bakasin, Banwati, Karkha, Bayt al-Din al-Laqaash, Lawizah, Ma'rus, al-Fuqa, 'Ayn Majdalun, Lab'a, al-Ghasaniyah, Hayturah, Safariyah, Kafrhunah, Kafr Falus, Qaytuli, al-Qurbah, Maknuniyah, Besur, al-Majidel, Barti, Malikh, 'Aramti, Dariya, al-Rihan, Sajad, al-'Ayshiyah, and al-Jarmaq.

The population of this district is about 60,000, of whom 30,000 live in Jizin alone. The SLA has been able to muster 3,000 young men from the area.

The district of Sur [Tyre]: Israel left untouched 13 towns and villages in the district of Sur, but occupied 59 towns and villages, including al-Naqurah, Ra's al-Bayadah, Majdal Zun, Shama', Iskandarun, Shaykhayn, Hamul, Tirmarfa, Yarin, Mirwahin, al-Dahirah, 'Ulama al-Sha'b, and al-Labunah.

The population of the occupied villages is about 15,000, of whom 500 youths have joined Lahd's army. The largest of these towns is al-Naqurah with a population of 4,000, most of whom have immigrated.

The district of Bint Jubayl: Of the 30 towns and villages in the district, 19 are still under occupation. They are Bint al-Jubayl, 'Aytrun, al-Tiri, 'Aynata, Kunin, Bayt Yahun, Sarbin, Rashaf, Bayt Lif, al-Quzah, Dibal, 'Ayn Ibil, Ramiyah, Hanin, Marun, al-Ras, 'Ayta al-Sha'b, Ramish, al-Mansurah, and al-Khirbah.

The population of the occupied villages of this district approaches 100,000. The population of Bint Jubayl is 25,000, that of 'Aytrun is 20,000, that of 'Ayta al-Sha'b is 20,000, and that of 'Ayn Ibil is 20,000. About 3,000 young men are working with the SLA.

The district of Hasbiya: There are 18 towns and villages in this district, of which five are liberated and 13 are under occupation. The district's population is about 30,000, of whom 1,000 young men work with the occupation in the framework of the SLA. The occupied villages are Hasbiya (pop. 8,000), Shab'a (pop. 4,000), Rashiya al-Fakhar (pop. 4,000), Kawkaba (pop. 3,000), Habariyah, Kafrshuba, al-Mari, Kafrhamam, Abu-Qamhah, Maltha, al-Majdiyah, 'Ayn Qaniya, and Shawiya.

### **Subjugation**

An objective introduction to a field reading of the subjugation and subduing methods that Israel uses to dominate areas in the south and in the western al-Biq'a' would stress that the occupation does not permit itself to concede any opportunity, however slight, to prove its artificial importance to people in the occupied areas and to their daily, vital needs. It suffices to mention the threats of bombardment against liberated areas that Israel unleashed through the SLA in the context of its demands for a share of the occupied areas' flour and electricity. It carried out its threats more than once, and it obtained what it wanted each time.



Beyond this introduction, it can be said that the district of Marj'ayun is perhaps the best example of the processes of subjugation and subduing. In other words, indications of the great importance that the occupation authorities attach to this district, which abuts occupied Palestine, point clearly in the direction of the occupation's replacement of the state of Lebanon in content and form, especially in the towns of Marj'ayun, al-Qali'ah, and al-Khiyyam, and in the main villages of the other districts.

Regarding daily life for example, Israel has permitted most of the residents of the district of Marj'ayun to work inside the occupied land at wages that are considered high compared to wages in Lebanon, inasmuch as the daily wage of a worker is \$30. I also ventured to observe monthly material assistance to citizens who still receive salaries from the Lebanese state, specifically retired teachers, who are given between \$50 and \$100 per teacher, in addition to their official, monthly salaries, to help them "cope with the growing economic burdens." It should be indicated that some refuse this aid, although objectivity requires acknowledging that most of these teachers accept it.

Material enticement has also been a means used by Israel in its new attempts to double the number of SLA personnel, after it had previously required the villages and towns to provide a specific number of men for induction into "Lahd's army." At present, the deteriorating economic and living conditions are working to implement the "voluntary conscription" plan, inasmuch as those joining the SLA receive between \$225 and \$600 per month. In addition, members of the families of the "volunteers" are given opportunities to work at Israeli farms and factories, and SLA members are eligible for food assistance.

In the same context of daily life, Israel misses virtually no opportunity, such as holidays, to distribute material aid to the needy and provide contributions in hard currency to the poor villages through their municipal authorities. It also provides fertilizers and other agricultural materials to farmers in the villages at the start of each agricultural season.

#### Services and Utilities

Regarding health services, Israel has equipped the Marj'ayun governmental hospital almost completely, so that it now compares, if not surpasses, the most modern hospitals of the capital in terms of equipment. Israel has transformed this hospital into the main hospital in the region and has given its administration the right to transfer complicated cases to hospitals in the occupied land. It has also helped build and equip dozens of clinics in the area.

Parallel to that, Israel has provided for the renovation of water networks and the connection of all villages of the district of Marj'ayun to the water network. It has

equipped these villages with large water tanks and has commissioned technical teams to maintain the tanks and networks.

The same applies to the road system. Road construction work decided by the Lebanese government has been performed by Israel. Israel has levelled and paved roads in the Marj'ayun district, such as the road connecting Bab al-Thaniyah to Tel al-Nahhas, and it has worked on widening the al-Khardali (al-Litani) road from six to 15 meters.

Israel has linked the electricity and telephone grids of Marj'ayun and al-Qali'ah to telephone and electricity-generating stations inside occupied Palestine. It has also refurbished the electricity transformer at the al-Hamam station (Marj'ayun), permitted the district's population to make international telephone connections from the interior, and made it easy for them to visit foreign embassies in Israel to obtain entry visas and to travel through Israeli airports.

Regarding food, Israel has flooded the border strip area with its food products, luxury goods, and fuel. It has also sought to flood the markets of the area with alcoholic beverages, which are displayed in the windows of various commercial establishments. Israel's promotion of alcoholic beverages and places of entertainment has met with a great response.

In order to advance its plan, Israel has formed local committees and councils whose function is to monitor the social and economic conditions of the area, examine the demands of residents, and submit reports regarding these demands to the Israeli occupation authorities, who study the implementation of the demands. These committees and councils also organize periodic meetings between occupation leaders and the population to directly examine the population's demands.

#### Education, Sports, and Information

Regarding the social, educational, and information realms, the process of subduing can be seen in all of its danger. Israel has built public parks, playgrounds for children, and playing fields in most of the villages of the border strip. It has favored the centers of the districts with expansive parks and wealth.

We were able to attend sports competitions between local teams in Marj'ayun, al-Khiyyam, and Hasbiya, Ibil al-Saqi, and Bint al-Jubayl. Each member of the winning team is given a financial reward of \$100 to \$200. These contests conclude with what resembles a wedding: Collaborators with Israel "sprinkle" one-, five-, ten-, and twenty-dollar bills over the heads of the spectators and fans, who jostle each other to gather them before going out in a procession of cars that cruises through the villages and towns, amid horn-blowing and cries of long live the "generous collaborator."

Social subduing also includes encouraging the introduction of casinos and coffee houses through the collaborators, and holding parties and artistic performances in honor of Israeli officers and local Israeli leaders, such as what is happening in the towns of Marj'ayun, al-Qali'ah, al-Khiyyam, and 'Ayn Ibil.

In the social framework, the Israelis are not satisfied with seeking the population's participation in public, private, religious, and other occasions, such as holidays, celebrations, and funerals. They also include their own religious traditions. They have permitted a number of Jewish soldiers to marry Christian young women. Recently, three marriages have been recorded in the towns of al-Qali'ah, Ramish, and 'Ayn Ibil between Jewish soldiers and young women from these villages.

Regarding education, Israel has helped to build and rebuild a number of schools in border strip villages, and it is currently paving the way, through financial aid that it is granting to teachers, for Hebrew language instruction in some schools. It has actually convinced a number of families collaborating with it to teach their children Hebrew by means of private teachers, especially in the town of al-Qali'ah, where a large number of residents speak Hebrew.

Regarding information, which embraces the social and educational factors, the Sawt al-Junub [Voice of the South] radio station and Middle East Television, which operate in the security zone, broadcast instructional programs daily that speak of friendship and neighborliness between the strip's population and Israel, stressing that "Israel seeks only security, good neighborliness, and good relations."

If Marj'ayun, which has been under the occupation since 1978, is a model of the process of subjugation and subduing, the occupation authorities are attempting to apply this model to different towns and villages under their control in other districts.

#### **Bint Jubayl**

In the district of Bint Jubayl, for example, Israel has provided the town of 'Aytrun (pop. 20,000) with efficient medical services. It has also introduced a medical center in the town of Bint Lifa, introduced water tanks to the villages of the district, and provided material assistance to al-Misnin.

Israel has been especially concerned with three towns in this district, 'Ayta al-Sha'b, Ramish, and 'Ayn Ibil. It has provided them with medical and social services, extended water networks to them, equipped them with electrical generators, levelled and paved roads in them, built playing fields, and provided services to farmers to stimulate olive, grape, and vegetable production, and beekeeping. In the village of 'Ayn Ibil, it has restored the village's well-known casino at the town's western entrance.

It has recently been reported that a large number of residents of the towns of Ramish, Dibal, and 'Ayn Ibil in the district of Bint Jubayl speak Hebrew.

#### **Hasbiya**

The services that occupation authorities have provided to the district of Hasbiya do not differ essentially from those that it has provided to other districts under its control. They include encouragement of beekeeping, help in protecting crops, the extension of the water and road networks, the provision of material support to refurbish the promenade of Hasbiya, the payment of teachers' salaries, and aid to the elderly. However, Israel has favored the Druze sect by granting it a primary role in maintaining security in the area, allowing the formation of local committees headed by notables of the Druze sect, and encouraging Israeli Druze to marry Lebanese Druze.

#### **Jizin**

In the district of Jizin, Israel has accorded special concern to the district's main town, Jizin, providing it with financial assistance, building parks, beautifying squares, paving roads, refurbishing the electricity grid, helping farmers, building a school, renovating churches, and facilitating the movement of the population to the eastern Christian areas.

Israel has also been concerned with the populations of the villages of Kafrfalus and Lab'a, which receive extensive assistance because of their location on the east Sidon front. Israel also provides indemnities to owners of houses damaged in clashes that occur on this front from time to time.

#### **Tyre**

Israel is apparently not at all concerned with the 13 occupied villages in the district of Tyre. Although it has subjected them to its authority in all matters, "Israeli services" in these villages are limited and do not exceed the required minimum. The town of al-Naqurah is outside of effective Israeli control, because of the presence there of the leadership of the international forces, and because of the migration of more than 75 percent of the town's residents to outside the occupied area.

The question remains: Where is the role of the Lebanese state in the occupied areas?!

The Lebanese state is present in the occupied areas as individual persons, not as institutions. A clerk in the vital statistics bureau, for example, carries out transactions on his own initiative, as additional, independent work, as does a general security employee. The operations of internal security forces are limited to maintaining a presence in guard posts. The district's administrative officer does not exercise any mandates and is not even present in the area. The sanitation workers

subordinate to the villages work twice a week, and electricity and water workers are contacted and resorted to as needed.

The certain conclusion that can be made from a quick tour of the occupied areas is that the subduing of the residents of these areas and their submission to the occupation authorities is inevitable as long as movement between their villages and towns to "liberated areas" through the three or four access routes is a difficult process, while passage to occupied Palestine through a single access, namely Metulla, is an easy process that opens horizons having no match in areas that are liberated in form, but actually continue to be a prisoner of an unknown future.

## PALESTINIAN AFFAIRS

### Parliament Building in East Jerusalem Planned

90AE0195A Nicosia FILASTIN AL-THAWRAH  
in Arabic 15 Jul 90 pp 10-12

[Article by Khalid Jamil Shamut: "Architecture: The Public Will Look Down Through the Glass and See the Ministers Debating State Affairs"]

[Text] Do you know what is wrong with the "Middle East Building?" This building represents the worst utilization of the aesthetic structural and visual possibilities that reinforced concrete has to offer.

In modern architecture, care is taken to use materials and styles suited for the environment. In his project, our Palestinian friend seeks to employ political elements in a huge complex that he envisions leaning against the East Jerusalem wall.

Our modest architectural culture and our not-so-modest artistic taste prompt us to compare the "ugliness" of the Jewish temple design—and I have seen the design somewhere—with the streamlined design of this proposal. So, has the architect of the project overloaded his project and idea by cramming spiritual and political meanings into a building?

Why a six-sided "hexagonal" instead of an eight-sided "octagonal" shape, as these numbers are called in Greek when they talk about a shape. A case in point is the American five-sided Pentagon. Is the design influenced by the late president Sadat's idea of building a complex in Sinai for the three revealed religions?

Since Jerusalem will be the capital of the Palestinian state, it is natural that the seat of government be located in the capital. The project's creator picked a site in East Jerusalem north of the old city's wall because the site contains no buildings and overlooks the rest of the city. The seat of government is 800 meters above sea level and the altitude drops gradually toward the south to 740 meters within the old city's walls and to below 600 meters south of the old city.

Having the seat of government just about at the city's highest point signifies the fact that the government is the watchful eye that guards and protects the affairs of the state and the people.

To the south of the seat of government's main gate is a crescent-shaped courtyard with an unknown soldier monument in the middle of it. The monument is a statue of a person covered with the Palestinian headdress and loose combat fatigues to disguise its identity in an effort to conceal its gender and age, for it symbolizes all martyrs without distinction. The statue is armed with a rifle in one hand and a stone in the other. It stands on a large rock, thus making access to it (the statue's level) difficult for any person since only martyrs can reach the statue.

### The Design

Proceeding from Arab history and the heritage of Palestine and based on the PLO charter to set up a secular and democratic state, the seat of government has to reflect the three qualities of the Palestinian state: Arabism, democracy, and equality among the three religions.

To start with, I wanted to separate the offices from the meeting hall, which will serve as the parliament where all decisions on state policy and the constitution would be adopted. That is why I placed the parliament in a building detached from the two office buildings, because of the difference in their importance.

Since the PLO today is tantamount to the government of the Palestinian people and the new government of the Palestinian people will be the offspring of the PLO, I used the PLO logo as the basis for designing the Palestinian government buildings.

The PLO logo is divided longitudinally into two equal parts that are pushed apart with a section emerging in the middle (the star to which I will come back later), suggesting the birth of the new Palestinian government through the PLO. The two parts of the PLO logo will hold government offices while (the star-shaped) building will hold the parliament.

I chose this division because I believe that the parliament is what makes a state, since within its walls, constitutions are ratified, laws are drafted, and state policy is defined. Therefore, this hall is the backbone and the foundation of a state that will be the offspring of the PLO. And, in view of the parliament's importance, the parliament building will tower over the office buildings.

### Office Buildings

As I have already mentioned, the two parts of the PLO logo are the two office buildings. The buildings are identical and have the same design. Each building has two parts: an aboveground level for offices and an underground level for a parking garage.

The aboveground level is composed of five floors (seven floors on the inside). Each floor is smaller than the one

below it and the top floor is capped with a dome. This is a pyramidal layout signifying ascension, expectation, progress and prosperity. Inside each floor is a rotunda that looks down on the lower parts. The rotunda grows narrower as we ascend. Looking from the bottom up, we see that these rotundas grow smaller and smaller to focus on the dome, or the top.

All the floors have offices and the "rooms" as designed are not private offices but rather office suites, because the acreage area of each "room" is about 100 square meters. Given the project's enormity, these minor details have been sidestepped.

The southern side of the first floor contains storage and service rooms (such as maintenance, air-conditioning, etc.) and the southern side of the second floor consists of restaurant and a cafeteria that overlooks Old Jerusalem, affording diners a fascinating view.

As you can see, with my use of an Arab-style dome, Arab ornamentation, and Arab arches, the building's outer design reflects the Arab style of architecture.

#### **Parliament Building:**

All government buildings have an Arab design, which reflects Palestine's Arabism. The parliament building, however, also reflects democracy and equality among the three religions in Palestine.

- 1 - Arabism: The arches, ornamentation, and arabesque (lattice-work) covering the building's outer shell are done in the Arab style.
- 2 - Democracy: The building is open to the public, which has the right to observe and to listen to government meetings and sessions. This reinforces the state's democracy because nothing will be concealed from the people.
- 3 - Equality among the three religions: Since the intended religions are Islam, Christianity, and Judaism, I chose a symbol from each religion to be included in the building's design. From Judaism, I chose the Star of David as the building's outer shape. The first and second floor layouts represent the main entrance and the base of the parliament. As for the Islamic symbol, the building is capped with an Islamic style dome.

The base of the parliament has six floors. The southern side of the first floor houses building management offices and government conference rooms as does the second floor. The northern side of the first floor houses the parliament lobby where any citizen can meet with government officials.

The fourth and fifth floors are identical in design, but the meeting hall entrance (the hexagon in the center) is on the fourth floor. The hall leads up to the dome through the upper floors.

The fifth and sixth floors consist of a corridor around the hexagonal rotunda. But, the corridor on the sixth floor,

which is open to the public, is enclosed in glass to allow the people to look down and observe government officials in action. This is what strengthens the pillars of democracy by underscoring the fact that nothing is kept from the people.

## **EGYPT**

### **Council Head Calls for Arab Economic Bloc**

90AA0183A Cairo AL-AHRAM AL-DUWALI in Arabic  
6 Jun 90 p 9

[Article by Jamal Zaydah]

[Text] Dr. Hasan Ibrahim, secretary general of the Council of Arab Economic Unity, said that the next phase of the council's work will have a positive and effective impression in the joint Arab field, by virtue of Egypt's return and the Arab community's approval of it.

In an exclusive interview with AL-AHRAM he mentioned that the council's session, which begins today in Cairo, will concentrate on reviewing economic policies in the Arab world with the goal of establishing the means whereby the most notable gaps in these policies would be dealt with.

He explained that the Arab economic situation is affected negatively by international economic pressures, inasmuch as these pressures have caused an increase in the Arab foreign debt and a deficit in the budgets and the balance of payments of the Arab states. Thus it is important that the health of joint Arab action be brought back and that we move rapidly towards Arab economic integration and the establishment of a unified Arab market.

He added that the session will also discuss strengthening the process of commercial exchange by establishing an integrated program for the development of inter-Arab trade.

It has been possible so far to determine the number of goods that can be traded among the Arab states with the granting of various easements. That has come as the first phase. The determination of the remainder of the goods, and how to achieve the process of trading them, will come as the second phase. The secretary general of the council stated that this integrated program for the development of commercial trade between Arab states will help to strengthen the Arab common market.

As for the corrective policies that are being followed by some Arab states based on the recommendations of the International Monetary Fund, he expressed his reservations towards them due to the fact that those policies are not the best suited for dealing with Arab economic problems. He mentioned that there are other steps that the Arab states could take, such as stimulating inter-Arab trade, getting rid of debt, reducing spending, and strengthening development operations, which can be done without resorting to the IMF's recommendations.



Dr. Hasan Ibrahim praised the experiment in the joint Arab projects, the basis of which was laid down by the Council for Economic Unity as an essential gateway to joint Arab action in the economic field.

He stressed the importance of establishing Arab economic blocs to counter a unified Europe in 1992. It would be in the Arab interest, and it would enhance its negotiating strength in a world that is in the grip of large economic blocs.

On the effect of the establishment of Arab regional groupings, Dr. Hasan Ibrahim stated that they aim to achieve Arab economic integration with the goal of strengthening Arab cooperation and economic integration, pointing to the fact that the Arab League charter is not in conflict with the establishment of Arab groupings.

He mentioned that support for the role of these groupings does not conflict with the need to support Arab organizations so that they may be able to achieve their goals. He explained that the general secretariat of the Council for Economic Unity suffers from many problems because some Arab countries are behind in paying their obligations as a result of the impact of the entry of the Arab oil states following the fall in oil prices in world markets.

#### **Official Addresses Dangers of Islamic Party**

90AA0182A Cairo AL-AHRAM AL-DUWALI  
in Arabic 9 Jun 90 p 6

[Article by Jamal-al-Din Mahmud, Secretary General of the Supreme Council for Islamic Affairs]

[Text] There is no doubt that President Husni Mubarak's statement dismissing the notion that a religious party would arise in Egypt is in accordance with the rules of the constitution and the law, and is moreover in accordance with the higher interests of the country in the near and distant future, interests that cannot be abandoned under any circumstance. That is because the Egyptian political system's transformation from an absolutist system to a multi-party system amounts to no more than a democratic trend in government, along with the many privileges that follow for the people, politically, economically, and socially. It is not at all a trend towards change in the social foundations of the people of Egypt, which have remained firm for more than a thousand years and have safeguarded its political, social, and cultural unity.

Allowing the creation of a party based on religion does not fall under the category of democratic trends in its true sense. Nor would it have the same results. On the contrary, it is seen as a trend towards political monopoly and towards the sanctioning of religious sectarianism in the country at the expense of political nationalism upon which modern Egyptian society is based. This is due to the fact that religion, with its higher values and its lofty fundamentals in belief, morals, and social organization, is gradually moving into the Egyptian political arena,

which does not lack factors of change, upheaval, maneuvering, trickery, and corrupt practices. Being the conscience and balance of Egypt, influencing through its sanctity the orientation and moral and social behavior of all its people, religion, with its higher values and its lofty, universal fundamentals, would become merely an orientation adopted or claimed by a strong or weak political system trying to benefit from this sanctity through various means and political practices. It would be inclined to put the strengthening of its political existence before its goal of serving Islam. The political practices of this party might seem corrupt or be interpreted as a departure from Islamic values, and the religious movement as a whole, which in itself is viewed with favor, would become subject to evaluation or questioning without any justification.

On the other hand, it should be noted that the programs of the political parties in Egypt adopt the call for the application of Islamic Law and the revival of Islamic values. This matter is praiseworthy in itself and falls under the category of political action in its broadest sense since the Islamic movement represents the will of the masses, and because its realization might be the object of disagreement among political parties with regard to the means, timetable, and legislation that would be used to achieve it. All this is Islamically and politically acceptable since article II of the Egyptian constitution, which makes the principles of Islamic law the primary source of legislation, ensures this orientation. The second section of the constitution also clearly shows it to be one of the basic values of Egyptian society. Therefore, the monopolization, by one or more parties, of the religious movement does not conform to Egyptian reality and would mean nothing more than political exploitation of religion, which might encourage some to consider a citizen's religious identity in political activity, which is unacceptable and contrary to the principles of the constitution, which guarantees freedom of belief and equality among citizens without regard to religion or race. This could lead to the practice of political polarization on the basis of religion, which is something foreign to Islam in its concepts of justice, tolerance, and social coexistence with all divine religious beliefs, which has been manifest for many centuries not only in Egypt, but throughout the Arab regions. Lebanon suffered misfortune only because it considered religious identity in the political process. The attempt at constitutional organization did not succeed because of these threats to the essence of the state's society. The experiment lasted only a few dozen years because it conflicted with the basic provisions of Islam and Christianity and Arab and Islamic history.

Serving religion and spreading its foundations and values in society cannot by their very nature be done best by political establishments, such as parties or even the state itself, for religion is not subject to nationalization or political monopolization. Political establishments work for much narrower goals than religion with its universality, its goals, and its idealism, which have

served as an example throughout Islamic history. It so happens that Islamic states in the modern age have collapsed, politically speaking, because of colonialism. Nevertheless, Islam lives on within society, governing its relationships and controlling its orientation, as certain non-Muslim thinkers have correctly said. And that greatly affected the ability of these states to recover their political existence.

### Forming Legislation Review Ministry Proposed

90AA0243B Cairo AL-AHRAM AL-DUWALI  
in Arabic 9 Jul 90 p 7

[Article by Dr. Mustafa Kirah, ex-Chairman of Appeals Court: "Legislation Reform"]

[Text] The Supreme Constitutional Court decision that voided the People's Assembly election has exposed a fundamental flaw in legislative policy, making it obvious that the election law has been offhanded and divorced from sound legal studies. This is what confronts legists, including legislators, jurists, and judges—and many they are—with a fundamental issue in a country whose system of government is founded on constitutional institutions that embrace the system of the separation of powers and a country in which the Appeals Court has laid down the foundations of the judiciary renaissance throughout 60 years. This constitutional event cannot be allowed to pass without establishing guarantees for the future to ensure that the legislative policy will be a scientific policy that spares the country such unnecessary mis-steps.

The source of the malady is that legislation has become an individualistic tendency. Any ministry that feels the urge to issue a law proceeds to do so, and hence the multiplicity of legislating authorities. This approach has resulted in subsidiary legislation issued by the ministers concerned in order to implement these laws. Consequently, there is an abundance of laws and of confusion and the country has been drowned in a legislative deluge. No human force can combine these laws or achieve the so-called legislative revolution. For example, the Ministry of Supply has an ample share of these countless laws the changes of which nobody can keep up with, even though the supply laws, as a general rule, need to be abolished. They have been abolished in most countries of the world. They are temporary laws dictated by war circumstances. Consequently, they are characterized as circumstantial laws. The abundance of these laws has done no good and the laws have failed to such a degree in preventing the crime of charging higher prices than the official price that it has become obvious that the pricing system is no longer enforced or observed. The same applies to the housing bill drafted by the Ministry of Housing sometime ago. This is a fundamental law that affects every member of society. It suffices, if necessary, to amend some provisions of this law. But abolishing the law in its entirety and replacing it by another law will create numerous problems.

Legislation is science and wording. It is a science because it is founded on facts that have to be taken into account, including the nature of society and the change undergone by society, whether in terms of incomes or of social reality. In drafting a housing law or amending the current law, one of the facts to be taken into account is the rent for old housing the position of which is akin to that of the religious endowments. Considering that the price of benzine, of revenue stamps, and of carbonated water has increased and that the prices of everything have multiplied, it is unreasonable to have in Cairo's most affluent quarters houses that have been rented for 5 or 6 pounds a month for the past 30 years, at least. It is unreasonable not to confront these facts. The same goes for cultivable land tenancy which is no longer compatible with the high prices of crops. All these realistic social considerations and the historical development of real estate and cultivable land ownership must be taken into account when amending the existing legislation in accordance with criteria that establish justice. Legislation is also wording, and it requires elements that possess enough capability, expertise, and past experiences to enable them to steer legislation away from the legal pitfalls that have accompanied this legislation. Such pitfalls have recently surfaced in the law forming the Securities Market Authority. A look backward at the precision, accuracy, and explanatory legal memoranda with which past laws abounded and which are cited as models makes clear the backwardness from which the legislative policy currently suffers.

Who is it that averts the occurrence of such legislative errors and prevents their recurrence? What are the controls that can be observed to eliminate or at least curtail such legal errors in general, not just errors in the election law?

The ideal solution is to create a ministry of legislation which acts very much like a bottleneck through which all laws must pass before they are promulgated. Thus, no law, whatever its degree, is issued until approved by this ministry. Consequently, the laws would be produced by a special and deliberate authority. Every branch of the law has its specialization, experts, and men. Failure to present a law to the ministry of legislation will result in such a law being voided as a penalty so as to curb the legislative wave and to give the ministry of legislation the chance to discuss, debate, and conduct serious objective studies. This is a proposal adopted by the State of Kuwait in the past. It is a proposal that merits serious consideration.

This proposal, if destined to materialize, is likely to make legislating more serious and to strip individualism away from it, to reduce the causes of nullification, to make it easier for the People's Assembly to debate well-studied laws, and to regain its past control.



### Leaders Urged To Act on Ensuring Free Elections

90AA0230A Cairo AL-AHRAM AL-IQTISADI  
in Arabic 9 Jul 90 pp 13, 15

[Article by al-Sayyid Yasin: "Cultural Notes: The Judiciary and the Crisis of Political Initiative"]

[Excerpt] [Passage omitted] We write this article on the occasion of an important conference that was publicized and recently organized by the Judiciary Society to discuss election laws and the guarantees which must be made available to guarantee the integrity of elections.

The fact that judges are inclined to discuss such a vital issue is one thing that is undoubtedly laudable because guarantees about impartial elections are among the solid foundations upon which a democracy must stand. Although there are restrictions to the political liberalism we've chosen, we have, nevertheless, accepted the principle of political pluralism. This means that people make their own judgments and decisions through the election process. Therefore, as rulers and subjects, we have to be good-natured and accept the outcome of these elections out of respect for the people's wishes.

What may have driven the Judiciary Society to organize such a conference is the fact that many election results have been challenged in court. In addition, the courts ruled many times that the election of some candidates to the People's Assembly was invalid and that a decree had to be issued declaring other candidates the election winners. Considerable confusion was the result of that, particularly because the People's Assembly declined to carry out the court's rulings, arguing that it was up to the assembly to make its own decisions about such matters. In presenting such an argument the assembly was relying on a legal provision which provides that it is up to the assembly to consider the validity or invalidity of the status of its members.

There are various legal differences about interpretations of these provisions which each group is trying to twist and bend so it can come out with an interpretation that is compatible with its own interests. But the fact that the courts invalidated the election of some candidates to the People's Assembly many times undermined confidence in the People's Assembly itself. However, the recent momentous court ruling which declared unequivocally that the People's Assembly has been an invalid assembly since it was established but that the laws enacted by it were not necessarily invalid represents a shift in the nature of the court's oversight of constitutional and legal matters.

If we were to review the full record of the Egyptian courts in recent years on the political system, political parties, elections, and the People's Assembly, we would discover quite easily that an increase in court rulings on such matters reveals that as far as taking the political initiative is concerned, the political system is afflicted with a severe crisis.

It is our judgment that no matter how much unlimited confidence we may have in the courts, it should not be up to the courts to take the political initiative of developing the practice of democracy in the country and laying down solid foundations for it. This is by no means the function of the courts, but it is the function of political leaders and of the political regime.

This situation is the result of strict controls which have been imposed on establishing political parties, and it is also the product of the composition of the organization which considers applications for establishing political parties. This organization rejects or accepts these applications on the basis of ambiguous standards. Thus, if an applicant rejects the organization's decision, takes his case to court, and the court rules favorably on his application to establish a party, the party is established in this case, but not by the regime's democratic initiative, which shows the regime's interest in expanding the framework of democracy. Instead, the party is established in spite of the regime. We've seen numerous cases of parties that were established in this manner when there was no problem at all with accepting their application. The Green Party, for example, is one of these parties.

We think that the transformation of the Judiciary Society into a pressure group that is applying pressure to the political regime to set up basic rules regulating election methods and affirming their integrity may be a positive point for which those who have been advocating support for the institutions of civil society against the state should be given credit. We belong to this group. At the same time, however, we subscribe to the point of view which sees danger in confusing the issues and mixing the roles of the three powers: the legislative, the executive, and the judicial.

We believe that in declining to take the political initiative, the political regime gave the judiciary considerable leeway to pass judgment on fundamental matters which have to do with developing the political system and changing the practices of parliamentary councils. A confrontation between the judges and the regime does not serve the interests of democratic change nor those of the regime itself. That is why we are calling upon leaders of the political system once again and asking them to play their main political role which they relinquished voluntarily for no conceivable reason. It seems that the prevailing philosophy, which is extremely passive anyway, is to let matters run their course and to figure out how a problem is to be solved when that problem occurs. It were as though there were no decisive theory which should have been clearly and unambiguously formulated so it could be applied to all minor practices.

It is time to change this way of thinking. The whole world is changing; Egyptian society is changing; problems are getting worse; and the disturbing silence from leaders of the National Party about the fundamental problems facing society have added to the burden borne by the people.

This is the moment of truth. It is time to speak in specific and unambiguous terms, defining the role which is to be played by each one of the three authorities and clarifying the course of democratic change in the country.

To put it briefly, it is time for the political regime to seize the initiative once again and not to leave the road to democracy and approaches to it subject to a court ruling that would be made every now and then on a specific case. As we affirmed several times before, seizing the initiative once again involves nullifying the Emergency Law, repealing all emergency laws which restrict liberties, and forming a national committee that would bring all the political tendencies together to reconsider the laws regulating political parties and elections. Adherence to the constitution and compliance with the laws are to be the guiding principles of this political initiative.

If this initiative were to be carried out at the right time in an appropriately decisive manner, the political regime will have benefited from the experience of contemporary history and it will have understood the fundamental lesson of this experience: if one does not act, others will. If it takes no action, [the political regime] will have lost its direction and forfeited its ability to steer the country's course in a manner that would be advantageous and beneficial to the country, and doing that should be a matter of priority. It should come before everything that people with narrow, selfish interests prefer. Let us then be guided by the interests of the country in this decisive period of history which the world is going through.

#### **Government Said To Demand Production, But Restrict It**

90AA0206B Cairo AL-JUMHURIYAH  
in Arabic 5 Jul 90 p 5

[Muhammad al-Hayawan Column: "Word of Love"]

[Text] The government demands increased production, prompts the private sector to march forth, calls for creativity and innovation, urges people to invade the desert, and so forth. All these are fine, handsome, reasonable, acceptable, and needed slogans. But at the same time, the government puts restrictions, be they administrative or legal, on people. The government also squelches the people's enthusiasm because it treats the creative and the idle equally. The government pays no attention to fair distribution between productive worker and management. The worker gets nothing, regardless of how much he increases his productivity whereas the management gets all its privileges even if a firm loses.

The restrictions imposed by the government include restrictions on the movement of capital. The owners of small cultivable land holdings can sell their land and use the money to buy into other projects. The majority of the owners of such holdings have moved out of their villages, gotten an education, and lived in the city. But the cultivable land leasing law obstructs the movement of such monies because it gives the tenant such broad powers that he has almost turned into the landlord. The

income of the owners of [apartment] buildings has stopped at the limits of the 1952 income. Even though prices have risen, the income of these owners has remained unchanged. By amending the law governing the landlord-tenant relationship, both sides may benefit, buildings may come to have their value, and they may get to be included in the capital cycle. It is true that the government is not responsible for this heavy legacy of socialism. But economic reform requires a revolution and revolution takes courage. An elected People's Assembly can impose whatever laws it wishes on the people because the people have elected it whereas paper assemblies cannot make courageous decisions.

The government restricts the public servant and requires him to submit to harsh circumstances. Consequently, he cannot be creative. But he can innovate where swindling and bribe-taking methods are concerned. The government imposes on the worker restrictions that do not permit him to increase production. The worker asks himself: What benefit will I reap from increased production, considering that company profits will go to the executive board chairman and to his aides to be spent on appearances, on replacing cars, on parties, on courtesies, and on travel allowances? The government imposes restrictions on the farmer who is prohibited from cultivating this crop and required to cultivate that crop and who has to deliver his entire cotton and rice crop to the government. Consequently, the farmer has become a stranger who is faced with the daily threat of imprisonment. He is imprisoned if he plants and imprisoned if he refrains from planting, imprisoned if he sells and imprisoned if he buys. The government restricts businessmen with the shackles of redtape, customs, taxes, control, and slander. It abolishes the trade law and employs instead the emergency law in commercial transactions!

Shackles are everywhere. The slogans are sweet, but they are not applicable.

#### **Parties Advised To Bypass State Controls To Reach Public**

90AE0243A London AL-SHARQ AL-AWSAT  
in Arabic 15 Jul 90 p 16

[Mustafa Amin Editorial: "On Issue of Parties and Democracy"]

[Text] All the Egyptian parties are weak and the reason for their weakness is the shackles imposed on political action and the fact that they do not have equal opportunities in the press, radio, and television. A final reason is that the government controls the parties and obstructs their activity. In democratic countries, parties are equal in duties and rights. If Mrs Thatcher delivers a 15-minute television address, the opposition leader becomes entitled to speak on television for a quarter hour. If the BBC invites a government leader to make a statement on a certain issue, it immediately invites the opposition parties' leaders to express their opinions.

The [British] government does not monopolize the press, radio, and television. Rather, if television makes an announcement about a certain party, every opposition party becomes entitled to occupy the same space on television. In our country, the government is everything. The people have never heard the voice of an opposition leader speaking on an issue important to the people. On inflation, for example, we hear opinions that reflect the government's viewpoint but we do not hear the opposition's opinion. It so happens that newscasts report the People's Assembly meetings and give government members enough time to say what they wish to say while abridging statements made by the opposition deputies to the point of almost contenting themselves with reporting the phrase "esteemed deputies" from an opposition deputy's address.

All these practices weaken the parties, including the government party. If conditions continue as they are, the parties will be transformed into cliques whose entire value rests in their newspapers or their offices. Weakness of the Egyptian parties is a danger to democracy. When parties weaken, control over the government weakens, graft and the misuse of influence proliferate, and nobody is found to expose corruption or the dark spots in the government. If the government wishes to strengthen itself, it has to strengthen the opposition parties simultaneously. It is unreasonable that the opposition, excluding the Islamic groups, has no voice in the university, keeping in mind that Egypt's policy should be present at the university before it is present anywhere else. It is unreasonable that a university student should be entitled to elect the president of the republic while we deny him the right to express an opinion on politics. How can the university student select the president of the republic when, at universities, he is prohibited from holding political seminars in which male and female students discuss their country's affairs? What is the value of youth living in shackles, perils, and chains? What would we be preparing for the new generation that will rule this country if we supply this generation with youths who are ignorant of their country's policy, who have not read a single history book, who have learned nothing about the present, the past, and the future, and who have engaged in no political activity during their presence at university? Strengthening parties is accomplished by opening their doors to the youth, by injecting them with new blood, by permitting them to hold open meetings, and not by making it conditional that a party hold its meeting in a closed chamber as if it were the meeting of a secret association. If parties gain strength, the government will grow stronger, politics will become a subject of the people's interest, and a public opinion informed of the government's inner workings will be formed.

But now, we are more like a body robbed of its soul. We stand watching this body and asking: Why isn't it speaking and why isn't it moving?

### Problems in State Economic Planning Pinpointed

90AA0223A Cairo AL-AHRAM AL-IQTISADI  
in Arabic 18 Jun 90 pp 78-79

[Article by 'Ali 'Ali Faraj: "In Search of Planning"]

[Excerpt] [Passage omitted] In keeping with the spirit of the constitution, the 1973 Law No 70 was enacted to regulate the state general plan and to monitor its implementation with a view to raising the standard of living and dissolving the class differences by raising the gross national product and expanding services to attain a just and self-sufficient society.

- A universal and integrated plan able to utilize all national material and human resources in a scientific, practical, and human fashion.
- Centralized planning while ensuring participation by the units in the plan's preparation and implementation.
- People's control of production tools and assigning the public sector the primary responsibility for the plan while guaranteeing a private sector role in the development process without corruption or exploitation.
- Economic, administrative and geographic distribution of planned projects to create economic regions in addition to the local administrative units.

In this connection and without going into detail, I regret to admit that I doubt that we have succeeded if ever so slightly in achieving the preceding goals, be they the ones mentioned in the constitution or those included in the plan's law, and that we do not abide by the aforementioned principles exhaustively mentioned in the plan's law.

Hence, I am able to say that the problems facing our national economy are essentially attributable to a deviation from the scientific planning method underscored in the constitution and the statutes. I can also say that those who follow the development plans can notice [the following:]

- A focus on investments and their allotments to the various units, something that is not done with regard to the various production, income, export, or employment goals. These goals are not divided in such a way as to allow the economic units to know their individual roles and there are no executive work schedules backed by binding measures and policies that help to hold these units accountable for the achievement of these goals.
- The plans are careful to bring out the overall national balance that exists between the overall national output and imports and the corresponding consumption, export and retail without translating these facets into an executive work schedule that goes down to the production and services unit level.
- Failure to devote attention to price, consumption, monetary, or credit planning, thus incorporating into the plan policies that complement its role in these fields.



- The goals exceed available national capacities for they are often adopted on the basis of need without regard for capacity, thus subjecting the national economy to pressures and constrictions, the most significant of which were the inflationary pressures generated by the monetary expansion that grew out of a volume of investment greater than the financial availability, which was reflected in the price levels.
- Failure of certain planning agencies to fulfill their role in the planning process. For despite the reciprocal relations that exist among these agencies, it has been observed that coordination between them is not what it is supposed to be. For example, the fact that the minister of planning oversees both the National Planning Institute and the Central Agency for Public Mobilization and Statistics [CAPMS] notwithstanding, we find that Planning Institute experts are excluded from the preparation process and that the ministry does not rely on the CAPMS for its actual data needs.
- Failure to abide by the plan's law. For example, Article 25 stipulates that the annual plan bill, along with the general budget bill, shall be submitted to the cabinet in preparation for its submission to the People's Assembly two months before the beginning of the fiscal year; and here we are into the second half of the next to last month of the fiscal year (May) and neither of the bills has been submitted to the cabinet and hence to the People's Assembly.

Article 17 obligates the Ministry of Planning to pass a resolution regulating the plan's implementation and to prepare relevant periodic reports. Even though the law was enacted 17 years ago, this resolution has not yet been passed! Hence follow-up has been an unreliable off-handed process that cannot be used to prepare plans or evaluate their implementation (See our article entitled "For a Better Plan Follow-up," issue No 1104 of AL-AHRAM AL-IQTISADI published 3 December 1990).

Absence of a scientific method to study and evaluate projects before inclusion in the plan. Planning calls for priorities to be clearly set on the basis of which projects are selected after economic and technical studies are prepared to ascertain that every project is capable of achieving its specified goals in light of the plan's general objectives.

The haphazard way of selecting projects has caused many problems of coordination among the plan's various projects. The plan is devoid of any serious attempt to coordinate the projects or to set a timetable for them. For any plan to succeed, there must be coordination between investment and production endeavors in order to enhance production and stave off any potential inflationary pressures to increase investment spending without increasing output capacity.

Lack of interest in manpower planning despite the existing unemployment in most fields of specialization and failure to reexamine the wage structures to tie wages to jobs and tie the whole thing to the general plan.

The low educational level of Technical Planning Agency personnel despite their unwarranted growth. A large number of them do not hold any planning qualifications now that the ministry has lost a good number of its top experts, some of whom have been retired and some have been drawn to positions in international organizations or Arab and foreign countries, thus prompting officials to turn for help to outside experts who are often removed from the scene at a time when ministry employees are in disguised unemployment.

The required data and information are of a quality and quantity that do not help planners to fulfill their role and to envision the future of the national economy.

I had written an article in AL-AHRAM AL-IQTISADI, issue No 1112 published on 14 May 1990, about what ought to be done now that we are approaching the next year's 1990-91 plan, in which I set forth my vision of the things that I believe have a bearing on this year's plan. I said that these matters must be settled before the plan is approved and that I doubted that the people in charge of this plan would pay attention to these matters, for it seems to me that the planners have turned away from their plans. Hence, we see the IMF, the World Bank, and the American Agency for International Development planning for us, and it is obvious that they have relegated the interest of Egypt and its people to second place.

And whereas the plan's law that outlined the planning course and method was enacted prior to economic openness and the ensuing modifications in the national strategy, it is incumbent upon us now to reexamine the law and develop the planning process in an effort to accord more attention to the public role, which is growing year after year and to incorporate it into the general plan as a gauge that might catch the planners' attention so that we may arrive at a planning formula consistent with the stage our national economy is now passing through.

#### **Advice Given on Bolstering Private Sector**

90A40217A Cairo AL-WAFD in Arabic 27 Jun 90 p 3

[Article by Sami Sabri: "In View of Public Sector Failure: How To Liberate the Public Sector and Save the Combined Sector?"]

[Text] The government has recently concluded that it must turn to the private sector and depend on it for repaying its debts. It has begun considering whether to sell the public sector and how to do so. But regardless of this awakening and the reasons for it, how can the private sector take off over the next few years in order to perform its anticipated role? How can the private sector be maintained under a legislative council composed of government and public sector people who do not believe that there should be one? How can private sector enterprises grow in the shade of public sector ministries, leaders, and legislation; and how can they [prosper] under the current tax system and government red tape? And how about the joint sector? Why has it become a

serious drain on the Egyptian economy? How to save its projects that are in the red because of its illegitimate marriage with foreign capital?

Economic facts and figures prove that the private sector in Egypt is a broad base of the national economy and that, given incentives and means to grow, it can play a major role in driving production. It can bring Egypt to a safe harbor if its forces are combined with a national strategic public sector liberated from fiscal and administrative constraints. Once the world sees that the private sector in Egypt securely and confidently participates, owns, and invests, Egypt and its enterprises will be flooded with Egyptian savings abroad and with domestic savings seeking secure investments. Egypt will then become attractive to capital, not a repellent. Facts also prove that the joint sector and its two Egyptian and foreign capital components need to be reexamined and salvaged through expedient measures. That sector has become a burden on the Egyptian economy, especially its enterprises that are controlled by foreign capital and to which public sector companies subscribed as the open-door policy began; and projects in which the public sector participated with Egyptian capital since 1961.

Even though most of the latter are successful, such as the porcelain china [project] and Misr Hotels, they badly need cash to refurbish equipment, modernize production, and finance expansion in order to boost productivity and create job opportunities for youths.

Figures also show that of the 220 companies jointly owned by the private and public sectors in Egypt, 100 are in the red despite state investments of about 2 billion pounds. They suffered combined losses of some 1.500 million pounds by 1987, prompting the Egyptian government, in a decision that came too late, to sell the public sector share of those losing joint projects.

#### **Pressures and Circumstances**

But how about the private sector and its anticipated role? What are the problems it faces? How to get it to take off?

A recent economic report issued by specialized national councils emphasizes that despite pressures and circumstances that undermined its progress and held it down, the private sector in Egypt accounts for 37 percent of industrial investments, 45 percent of industrial workers, 20 percent of industrial exports, 36 percent of the housing sector, 15 percent of the agricultural sector, and 8 percent of the transport and communications sector.

The private sector has not been accorded the care and nurturing that could have rendered it more giving and turned it into a more effective contender in economic development. It hesitates to aggressively and confidently tackle projects because it still operates under a lot of ambiguity.

Many obstacles stand in the way of the state plan even though it allocates private sector investments 18 billion pounds out of total investment allocations of 50 billion

pounds. Public and private sector units are not treated equally. Distinctions are made between the so-called investment and noninvestment sectors. There is a dearth of investment opportunities, of feasibility studies, and of organizations for project promotion. Rules and regulations are complicated. Tax consequences are burdensome. There is legislative instability and laws are too frequently amended over short periods of time. The government's plan to promote the private sector is ambiguous and does not adequately provide monetary and credit policies to guide the private sector. Neither does it define any fiscal vehicle for the promotion of investment. And that is only a partial list!

The report called for incentives to promote private sector exports. It also called for utilizing customs as well as consumption and production tax policies to promote private sector investments. Domestic banks must be supported in order to play an effective role in attracting investors and stock holders and to provide financing for corporate operations as well as individual enterprise. The state should support the creation of important producing private sector institutions by providing production means and materials. The securities exchange should be reactivated to facilitate trading in stocks and bonds. Ceilings on individual ownership of corporations would not be objectionable.

The report emphasized that should the state truly want to propel the private sector in the immediate future, it must allow absolute freedom of investment in certain fields, such as in computers and other highly technical enterprises. Decision-making should be decentralized and the multitude of regulatory agencies should be merged into only one.

The government should expediently follow-through once it announces intention to introduce a new law or amend an existing one. Long lag times cause the private sector to pause and wait to see what the anticipated new legislation would bring.

#### **Super Characteristics**

Engineer Husayn Sabbur, president of the Egyptian American Business Council, discussed the Egyptian private sector, its profits and losses, and how to get it to take off:

Yes, the public sector realizes profits and suffers losses, and so does the private sector. Public sector losses, however, are subsidized, through the state treasury, by all citizens from Alexandria to Aswan. By contrast, private sector losses are limited and accrue to owners of the enterprise and not to all Egyptians. The government can only make a profit on the private sector but suffers daily losses from the public sector. It does not contribute a single penny to fund the private sector from which its profits through a 40 percent tax.

He emphasized that the Egyptian private sector, given its characteristics and capabilities, could drive productivity with state encouragement. The commitment of private

sector workers to private ownership would drive them to safeguard projects and ensure their success. The private sector has the ability, because of competition, to reduce project costs and production expenses. It also has freedom of movement and the ability to act unfettered by red tape. Its first hand contact with trade and marketing developments gives it access to the pulse of the market and its needs.

Engineer Sabbur adds: The Egyptian economic climate could allow the private sector to make a greater contribution to national income through a bigger role in light industry, handicrafts, and domestic trade. The Egyptian private sector also has extensive management experience. The state could benefit greatly from providing it with the right atmosphere to flourish.

#### Where's a Defined Plan?

Engineer Muhammad Ghanim, secretary general of the Egyptian Businessmen's Association, calls for shunning further foreign borrowing and for the adoption of policies to attract Egyptian capital. He advocates more detailed and better defined government plans for the private sector. He believes that economic planning should be further developed to take into account the anticipated role of the private sector.

#### Dangerous Technology

Dr. Ahmad Hasan Ibrahim, consultant with the National Planning Institute, believes that the private sector should be supported as long as its enterprises serve the country and contribute to needed development. He calls for stringent controls to ensure private sector commitment over the next few years and advocates joint committees of the private sector and planning authorities in order to guarantee the private sector's moral commitment to the development plan. He also calls for a review of the multitude of labor and economic laws that govern the Egyptian economy in order to adapt them to the upcoming stage.

He emphasizes that a private sector take-off would depend on many factors including current government make-up. The public sector is being sold today by the same government that previously expanded it and involved it in self-defeating activity. The situation therefore calls for a cabinet reshuffle and a change of certain leaderships. It also calls for an end to ministerial duplicity.

Former economic minister Dr. Fu'ad Hashim believes that the joint sector experiment has been a failure, especially with regards to joint projects with foreign capital that are totally free of oversight; and joint projects with Egyptian capital and the public sector that took advantage of loopholes in investment laws.

#### Solutions to Skilled Labor Shortage Offered

90AA0206A Cairo AL-JUMHURIYAH  
in Arabic 4 Jul 90 p 5

[Article by Ibrahim Judah Ibrahim, Labor Affairs Researcher: "Where Is Skilled Labor Headed"]

[Text] There is no doubt that the Egyptian population growth represents a burden to the present and an extremely serious threat to the future. As for its causes, this growth is the product of the phenomenon that has continued to be recorded in the official statistics as of the beginning of the second half of this century, namely the phenomenon of the steadily rising population growth rate that has neared three percent. This is one of the world's highest population growth rates.

It is the duty of planners in this area to take the constant growth into account if they wish to accomplish specific realistic objectives in the issues of labor and production. Labor planning depends on the sources of labor in the country, in addition to the possibilities of labor retraining [tahwil]. The main source of labor is the population. Development of human resources is the country's main objective.

A foreign study on Egypt says that the annual growth rate of the gross domestic product was 5.7 percent, dropped to two percent in the [early] 1970's, then grew by 8.1 percent in 1975, compared to the (1955-56) period, and then later grew by 9.4 percent.

If the manpower vessel is the population, then we have a fearful population explosion. So why the shortage of skilled labor? How can we experience abundance and scarcity—an abundance of unskilled labor and a scarcity of skilled labor—simultaneously? One thing [is certain], namely the need to plan for building the future.

Therefore, there is no doubt that the burden of training skilled labor to deal with future projects has increased the responsibilities and importance of the process of preparing highly-skilled technical cadres. This process must be coupled with the process of enhancing and developing the current manpower so as to meet the needs of the coming phase and to train the second-line leadership to deal with expected major developments in the use of the means of production.

In a symposium on the shortage of skilled labor and on this labor drain, Dr. Fu'ad al-Qadi, the head of a sector at the Ministry of Industry, said: If we backtrack to 1965, we would find that the total number of Egyptian expatriate workers did not exceed 100,000. This figure then rose to 1.4 million in 1976 and has now exceeded 2 million workers.

Meanwhile, the Egyptian market is experiencing a severe shortage of skilled labor. We are now dealing with second-grade semi-skilled labor. Consequently, a shortage has developed in all fields, thus depriving the Egyptian economy of the most important resource available for development purposes.



Dr. al-Qadi noted that important capabilities and specializations emigrate, leaving behind a vacuum in the governing scientific and administrative centers. This has affected administrative and scientific performance. For example, the Iron and Steel Company has suffered in the past five years from the emigration and departure of some of its most skilled workers, including 500 engineers. There is no doubt that the Egyptian economy incurs a loss as a consequence of the emigration of this labor. Meanwhile, other countries view their manpower as a human resource.

We can say that labor emigration to the outside world undoubtedly has its positive and its negative consequences.

To deal with the shortage of skilled labor, we propose the following solutions:

- Retrain graduates with specializations of which there is a surplus.
- Eradicate vocational illiteracy.
- Devote attention to the affairs of the expatriate skilled labor and strengthen its bonds with the motherland, Egypt.
- Provide graduates with preparatory training.
- It is necessary to link the Higher Manpower Council with the agencies concerned with manpower planning.
- Open up to the outside world by increasing training missions and tasks.
- Enhance social welfare and healthcare (meals, periodic medical checkups, medical care).
- Provide housing and communication services.
- Open complete training centers, if possible.
- Prepare a plan for future (material/moral) incentives and ensure that the largest number of skilled workers stay where they work now.
- Adopt the system of planning on the basis of targeted production volume and productivity.
- Coordinate between the Higher Manpower Council and the armed forces to take advantage of discharged troops.
- Involve the unions in the establishment of vocational training centers and institutes.
- Develop educational policies so as to graduate a more highly-qualified manpower that better meets technical needs.
- Provide the aid and loans necessary to encourage professions and crafts for which there is strong demand.

**Free Banking Market's Impact on Exchange Rate Assessed**  
90AA0201A Cairo AL-AHRAM AL-IQTISADI  
in Arabic 28 May 90 pp 20-22

[Article by Jamal Fadil: "On the Birthday of the Fourth Pound"]

[Text] According to a monetary study prepared by the Egyptian National Bank concerning the free banking

market, the size of the unofficial market in currency has decreased, as the relationship between the Egyptian pound and the U.S. dollar has adjusted, reflected in its true value, apart from speculation by currency dealers. The price differential has not risen over 10 piasters during the first 10 months.

According to this study, the factor of multi-exchange rates, as a result of transferring revenue and services from a group of authorized banks to the free banking market, is still causing the cost of withdrawals to rise, which increases the costs of production and, consequently, causes the prices of many commodities to go up.

The study also points out that the first yield of the free banking market—March 1988—amounted to \$2.9 billion, of which 53 percent were banknotes; 34 percent, transfers from account holders; 8 percent, bank drafts from abroad; and 5 percent, traveler checks. This is confirmation of how the market was received, or the attempt to control the Egyptian pound.

The free banking market yield continued to increase in leaps and bounds. In May 1988, it totalled \$3.1 billion; in November 1989, it was \$7.5 billion; and, in May 1990, it ranged between \$8.2 billion and \$9 billion.

According to free banking market sources, the current price differential between the Egyptian pound and the dollar does not exceed 5 to 7 piasters in May 1990 prices.

Some 31 months and 14 days have passed since the creation of the free banking market—17 May 1987—and there is still room for disagreement over supplemental steps required to increase its success and control over the Egyptian pound.

The establishment of the free banking market in May 1987 had an effective and positive impact on economic life in general, and on Egyptian labor in particular. This was represented by a sharp reversal in the exchange rate, which enabled the payment of loans for projects, the implementation of which had previously been threatened.

Since the establishment of the free banking market, in the words of Mukhtar al-Jamal, director of credit at the Export Development Bank, "production units have been able to set the prices of raw materials for import at the levels recorded on the date of credit issuance. This has enabled them to determine costs and, consequently, to be able to achieve a calculated profit from their sales. Moreover, with regard to financing projects, the market has been able to eliminate, for many projects, the problem of increased foreign currency rates as the main cause of difficulty. The outcome is that the project now plans its currency requirements, to buy machinery and equipment from the market, and does not have to resort to the importers' facilities, and the uncalculated increases in the cost of machinery that can occur on the date these installments are payable to the importers."

### A Ceiling for Exports

With regard to exports, Mukhtar al-Jamal, director of the Commercial Company for Export Development—a subsidiary of the Export Development Bank—went on to say that the increase in the announced exchange rate in the free banking market, when it started, had the effect of reducing the real value of Egyptian exports, which helped increase their competitive ability and gained them new world markets. The decision that was made requiring exporters to sell 75 percent of their exports' profits to the free banking market has helped to reduce the differential between the Egyptian pound and the dollar.

There are still aspects the requirements of which have not yet been dealt with, through the medical commission or for liquidity from the free banking market, in order to bolster confidence in it, so that the market will be able to attract the remaining foreign currency assets held by individuals, by determining their future requirements for foreign currency.

### Confrontation and Reservations

Here is another fiscal view of the free banking market by Muna Qasim, head of the Economic Research Department of the Bank of Egypt. She believes that the free banking market is openly confronting one of the most important and dangerous problems, which many elements contributed leading to its deterioration and increased danger. That is the problem of the Egyptian pound's exchange rate vis-a-vis foreign currencies, especially the dollar.

However, she also has certain reservations, including:

- The rate that the free banking market fixes is still an administrative rate and does not express the point of confluence of the volume of supply and demand. There is evidence of the continuation of the gap between the administrative rate and the black market rate. The result is an increasing demand for foreign currency, while the supply is limited. It was assumed, with the free banking market entering its third year, that the gap would diminish, and that it would ultimately be eliminated.
- The demand for foreign currency for certain citizens' requirements represents a fertile breeding ground for the black market, therapeutic trips for instance. Accordingly, it is necessary to deal with this within the articles that permit disbursing foreign currency for such occasions. Regulations can be drawn up for such cases through letters of guaranty, so that smuggling of foreign currency does not occur.
- One of the sources that nurture black market activities and that must be eliminated by the free banking market, concerns Egyptians traveling abroad to look for work. Undoubtedly, during their job search, they arrange their expenses through the black market until they find work. If a part of the free banking market's services was put as a travel allowance in dollars for that group, within limits equivalent to 100 Egyptian

pounds, then one of the black market gaps could be closed. This amount could be recovered with the work permit.

- Necessary for the success of the free banking market are efforts to abolish imports without currency conversion. Even though imports financed by private revenues amounted to 4.3 billion Egyptian pounds in 1987-88, decreasing 1.4 billion Egyptian pounds from its 1986-87 level as a result of a trend toward more imports through the free banking market, private imports started to rise again in 1988-89 to 5,405,000,000 Egyptian pounds, an increase of 25.1 percent. Together with the practice of importing without converting currency, the demand for foreign currency from the black market increases, and strengthens the black market's position vis-a-vis the free banking market.
- The head of the Economic Research Department of the Bank of Egypt, Muna Qasim, says that in order that the regulating decisions of the free banking market not be derived from one side of economic and fiscal life, there must be other measures and policies to bolster their positive effects, and to neutralize their negative influences. Otherwise, the result will be continued black market activity and new losses in the value of the Egyptian pound.

### Legislation to Criminalize, and a Social Dimension

Despite the conversion of the dollar in Egypt into valuable deposits and the maintenance of dollar balances by many depositors from various groups, this will not do away with the black market. There must be legislation making it a crime to possess and circulate foreign currency. Everyone who has foreign currency should be given an opportunity within a limited time, for example, when returning from abroad if he works outside of Egypt, or upon any receipt of currency, to deposit that currency or exchange it in the banks. This does not mean that foreign currency in a state should have control and dominance over the national currency. For example, this legislation, which the head of the Economic Research Department proposes, would result in the absorption of foreign currency and achieve a real national currency exchange rate vis-a-vis the dollar and other currencies.

"Moreover these measures," adds Dr. Midhat al-'Iqad, adviser to the Industrial Development Bank, and chief of the Economic Department in al-Zaqaziq's Board of Trade, "with regard to the foreign currency market, must be taken gradually and on a parallel with general economic measures.

"One fact that must be made clear is that the idea of decreased national currency helping to increase exports and limit imports is non-applicable because imports are marked by inflexible demand and there is no surpluses for export. Therefore, national currency is left to the forces of supply and demand, which means its decrease in value will lead to increased import costs. This will be reflected in the prices of basic commodities, especially

and most directly in foodstuffs. This is the social dimension of free market reflections of foreign currency, because it results in harming those on fixed incomes.

"One could achieve the same results as one would achieve with a certain structure of multiple exchange rates by using of a uniform rate through:

- The government buying foreign currencies and imposing taxes on the sale of currencies that would have had a lower exchange rate in the multi-rate system; or,
- Imposing taxes on the purchase of foreign currencies and subsidizing the sale of currencies that would have had a higher rate than the exchange rates in the multi-rate system."

In order for these measures to succeed, Dr. Midhat stipulates that the tax rate or the subsidy must be equal to the difference between the exchange rate aimed at in the multi-rate system and the unified exchange rate. He further stipulates that there must be a currency reserve sufficient to comply with demands for all purposes, which is unlikely to occur in the near term. This is what led to the failure of the famous January decisions, issued by former economic minister Dr. Mustafa al-Sa'id, which included abolishing importation without conversion of currency, in an attempt to put an end to the black market in currency. However, the banking system was unable to comply with all the hard currency requirements, which were needed before the decisions were issued, in terms of availability of sufficient free currency reserves.

Dr. Midhat al-Iqad summarizes that at the present time, taking into consideration the social dimension, a unified exchange rate cannot be achieved without sacrificing these considerations.

#### **Writer Addresses Obstacles to Liberalism's Future**

90AA0205A Cairo AL-AHRAM in Arabic 1 Jun 90 p 6

[Article by Dr. Usamah al-Ghazali Harb: "Liberalism and the Future in Egypt"]

[Excerpts] If there is one term that sums up the essence of the revolutionary action that many people in the world today are witnessing and indeed making as we approach the twenty-first century, it is the term "toward more liberalism!" This holds true for the tremendous reform movement Gorbachev is so ably leading in the Soviet Union and for the dramatic transformations in all the East European countries. It also holds true for the movement of a large number of Third World peoples who have struggled and are still struggling to overthrow the totalitarian governments that rule them and for the mounting calls for pluralism and democracy in our Arab nation. [passage omitted]

The fact that must be acknowledged, however, is that liberalism in Egypt today is going through fundamental

problems or crises that have a great impact on its future prospects. We can cite here, in principle, three major crises:

The first crisis is the absence of a clearly defined contemporary Egyptian or Arab liberal thought. The fact is that the term "liberalism" in itself presents a problem. For even though it is, like the term "democracy", a non-Arab word, it has not had the same amount of exposure. When Lutfi al-Sayyid used the term (known as liberalism) in the first decade of this century, he translated it as "al-Taharuriyah" or the "Hurri" doctrine.

More important, however, is that there is no contemporary Egyptian intellectual fabric to speak of that combines liberal values at the political, economic, and intellectual level and firmly establishes a dialectical relationship between political democracy, a multiparty system, and the separation of powers; economic liberation and support for the private sector and individual; and enlightenment and secular values.

The second crisis is what can be called the institutional crisis. For the political party that is supposed to champion and bear the standard of liberal thought, namely the Wafd Party, is experiencing numerous problems that cannot be denied. True, the Wafd, through its newspaper, in particular, relentlessly calls for constitutional reform, for the freedom to form political parties and publish newspapers, for bolstering the parliamentary system, and for respecting human rights. In foreign policy, it firmly stands on the side of democracy—which is evident in the stand vis-a-vis the situation in Sudan—not to mention its zealous support of efforts aimed at liberating the Egyptian economy, shoring up the private sector and promoting individual initiatives. Above all, the call for national unity and for everyone to respect the religion of God and country is the most significant feature of continuity between the New Wafd party and the old Wafd Party. Nonetheless, as an organization or an institution, the Wafd undoubtedly seems to date incapable of assimilating the new social forces and young generations in Egypt, something that is strongly embodied in the party's cadre and leadership crisis. The truth of the matter is that the future of the Wafd hinges on two options: prompt bold action by Wafd leader Fu'ad Sirraj-al-Din to address the necessities of change and progress toward pumping new blood into the party's lifeline on a massive scale and rebuilding the Wafd on contemporary organizational foundations or maintaining the status quo until such time as the historic leadership of Sirraj-al-Din fades away, leaving the door open to a vicious struggle that will give rise to a new liberal party with or without the Wafd name.

The oldest, deepest, and most important crisis of liberalism, however, is that its slogans, ideals, and thoughts are still of an elitist nature alien to the culture and orientations of broad segments of society who, at one time or another, may have enthusiastically supported some such slogans and thoughts. In other words, many of the slogans of liberalism are "unpopular" even though in



their essence they express the most useful path toward progress and reform. For example, in economics, they call for promoting private investment, rationalizing subsidies, allowing prices to be determined by supply and demand and relieving the government of the obligation to appoint graduates to jobs which is less popular than calling for an expanded public sector, keeping the subsidies, continuing the policy of appointing graduates to jobs even though these calls lead to a dead end.

However, the basic challenge facing liberalism comes from the strongest and most effective political trend in political opposition in Egypt today, namely the Islamic tendency. For while political liberalism presupposes, by virtue of definition, recognition of the Islamic force as an active force on the political stage that has the right to express itself, it is linked, at least through many of its factions, to a universal Salafi thought which, even though it has an attentive audience in a society where illiteracy prevails over half its population, is in direct conflict with the values of democracy and intellectual freedom.

Nevertheless, liberalism, with its values and thoughts, remains a cherished objective that ought to be deeply implanted at the elite and mass levels. For the closer Egypt gets to these values and thoughts, the greater the hope that it will be better equipped to enter the world of the twenty-first century.

## SAUDI ARABIA

### SAMAREC President on Commercial Ties With Asia

90AE0098A London AL-SHARQ AL-AWSAT  
in Arabic 15 Jun 90 p 9

[Text] Engineer Husayn Lanjawi, chairman of SAMAREC [Saudi Arabian Marketing and Refining Company], expects the demand for light and intermediate refined petroleum products to increase by approximately 90 percent over the next 10 years. In an address to the Finance and Operations Conference held in Singapore, he discussed the effect that economic growth in the Asian-Pacific region will have on Middle East oil companies, saying, "We in SAMAREC view the opportunities afforded by the region with optimism, since it is obvious that expansion requires tremendous investments. In order to plan effectively, petroleum refiners and consumers need a reliable, guaranteed oil market that is not subject to price fluctuations."

"The board of directors of SAMAREC has agreed to open an office in Singapore to serve its clients in the area and to help understand their needs."

The Asian-Pacific area is a major market for SAMAREC, purchasing approximately 45 percent of total export sales of the company's refined products, with the Japanese market's share one-third of that. The

percentage of liquified natural gas products is even higher—80 percent of SAMAREC's total sales, with Japan's share 70 percent.

SAMAREC is responsible for domestic refining and marketing in Saudi Arabia as well as international marketing of refined petroleum products, liquified natural gas, and sulphur.

The company's total refining capacity is more than a million barrels a day, and it exports approximately 400,000 barrels of refined products daily—30 percent light, 30 percent refined products, and 50 percent fuel oil. Sixty percent of these exports comes from the company's refineries on the Arab Gulf, while 40 percent comes from installations on the Red Sea. SAMAREC also exports 400,000 barrels a day of liquified natural gas and is a major participant in oil product distribution markets world-wide.

Lanjawi said, "SAMAREC's export policy is based on market-related prices in order to guarantee our ability to compete without violating market standards. In the end, our goal is to promote the company's commercial interests as much as possible.

"As a first step, SAMAREC intends to increase production of c.i.f. sales, and arrangements have in fact been made for a large volume of c.i.f. sales of liquified petroleum gas. Studies are under way to make similar arrangements for refined products.

"In addition to sales delivered c.i.f. at the port of arrival, we would also like to look into joint ventures in markets characterized by rapid, active growth. For this reason, SAMAREC has begun to evaluate certain preliminary projects for storage and distribution installations in Asia.

"The steady increase in consumption and refining of oil by the Asian-Pacific countries will increase oil refining in the region by approximately one million barrels daily over the next 10 years. Regional demand is expected to reach approximately 5 million barrels a day during the same period.

"Increased demand for light oil will increase pressure on refining capacity in the area, underscoring the need for financing power to avoid any disruption of equilibrium, since current refining capacity in the region is approaching full operation and imports of crude are of the heavy type, which contains more sulphur than the current regional intermediate."

On another level, SAMAREC sources have stated that the company is seeking to establish long-term relations with end-users of its products, such as petrochemical companies, storage depots, utilities, and refineries. The company will try to increase its tonnage shipped by sea in order to insure that it is capable of delivering refined products and liquified natural gas products to its major markets, particularly in the Asian-Pacific area, in order

to eliminate market fluctuations and improve the quality of service it provides to its most important clients in the region.

### **ARABSAT To Undergo Organizational Restructuring**

90AE0163A London AL-SHARQ AL-AWSAT  
in Arabic 6 Jul 90 p 10

[Article: "General Manager of the Arab Organization for Space Communications Tells AL-SHARQ AL-AWSAT, 'Board of Directors Is Making Plans To Amend Organization's Charter To Enable Private Sector To Participate in Projects'"]

[Text] AL-SHARQ AL-AWSAT has learned that the board of directors of the Arab Organization for Space Communications, ARABSAT, intends to amend the organization's charter, which was signed in Cairo 14 years ago on 14 April 1976, to make it possible for ARABSAT "to stay in step with economic changes."

This is what Engineer 'Abd-al-Qadir Ba'iri, general manager of ARABSAT, told AL-SHARQ AL-AWSAT. He indicated that the charter was being amended to enable the private sector to participate in ARABSAT projects and to give the firm's activities a commercial character. Ba'iri said this would make it possible for the organization to earn more revenues, and that would enable the organization to serve its goals.

Regarding the existing tendency to increase ARABSAT's capital, which is now \$100 million, and the possibility of letting the private sector contribute some of that capital, Ba'iri said that several alternatives had been proposed for involving the private sector in ARABSAT'S activities and projects. He said that a study on the subject was underway and that the framework through which the private sector can participate in ARABSAT'S activities will be determined when that study is completed.

In the wake of marketing operations and the increased use of ARABSAT Engineer Ba'iri described ARABSAT'S present position as favorable. He indicated that he was optimistic about the firm's ability to finance all its projects in the future, including that of launching the third Arab satellite, which is scheduled to take place at the end of 1991. He also said that the firm will be able to provide at least partial financing for manufacturing second generation satellites during the period between 1992 and 1995. Second generation satellites can thus be launched after the fixed life span for first generation satellites expires at the end of 1994.

Engineer Ba'iri described the process of extending the presumed life expectancy of the first satellite as "technologically advanced," and he indicated that preparations were underway to apply this technology to the first satellite late this year and to the second satellite sometime next year. He mentioned that this technology allows us to extend the life expectancy of a satellite from seven to ten years. According to him this means that the life

expectancy of the satellite will be extended from the anticipated date for its expiration, which is the end of 1992, to the end of 1994.

About the feasibility of launching a third Arab satellite late in 1991 since the first and second satellites will continue to be operational till the end of 1994, Engineer Ba'iri said, "The aim of that is to provide an additional marketing factor inside as well as outside the area."

Engineer Ba'iri added that there will be three Arab satellites in space during the period in which the life expectancy of the satellites will be extended. Should any malfunction occur during that period, the third satellite will be ready to perform necessary services. This strengthens the reliability of the Arab communications system and provides more marketing possibilities. Accordingly, more revenues can also be realized.

Ba'iri spoke about ARABSAT'S tendency to lease some channels to non-Arab countries. He said that current use of the satellite for communications and television programs was limited to Arab countries. He said that 2,700 channels linked the Arab countries to each other and enabled them to share political news programs, sports and religious programs, and special bulletins. In addition, ARABSAT offers other services, which are provided daily, as well as special services which are requested by some countries, such as leasing some channels. Saudi Arabia and Egypt made such a request recently.

Ba'iri made it clear that India was leasing half of the satellite's provisional channels at the present time to broadcast its television programs and its local communications to all areas of India.

He indicated that talks were now underway to conclude agreements with some countries located near the Arab region which can benefit from services provided by ARABSAT.

Regarding the company's investments, Ba'iri explained that the Arab Organization for Space Communications is financed by its investments in space. The firm purchases, launches, and operates satellites, and it also sells its media services to Arab countries. Engineer Ba'iri mentioned that the firm's actual capital was \$160 million and that it operated like any other firm with fixed capital operates.

Regarding the material return to ARABSAT for relaying the World Cup soccer games from Italy, Engineer 'Abd-al-Qadir Ba'iri explained that ARABSAT'S function was limited to broadcasting the games. He expected revenues to amount to \$300,000, and he indicated that the games were broadcast through Rome via the international communications satellite, INTELSAT. He said that transmissions are received at the ground station in Iraq. From there transmissions are relayed via the Arab satellite to Arab countries except Jordan and the countries of

the Arab Maghreb. These countries utilize the services of the European Association of Radio and Television Broadcasting.

Ba'iri said that the Association of Arab Broadcasting undertook the tasks of communications and coordinating the transmission of World Cup soccer games. He described such collective communications as very useful because such an arrangement saves large amounts of money. More money would have been spent if each country had tried to make its own separate reservation through INTELSAT.

Engineer Ba'iri called for prompt action on television broadcasting worldwide which has become a matter of concern for officials in Arab media circles. He called for preparations for the development of guidelines for Arabic programs and for the placement of emphasis on materials which would be attractive to Arab viewers. He called for the preparation of a comprehensive media plan to produce Arabic programs which are suitable to the age in which we live. Such programs must rely on realism, and they must be powerful so they can hold their own and compete with programs coming from abroad.

Ba'iri said that Arab countries can do that collectively because of the resources which are available to them to produce competitive programs. He added that Arab countries have advantages which Third World countries may not have. He was alluding to the existence of ARABSAT and to the services it provides in sharing different programs.

## TUNISIA

### 'Circles' Expect Diplomatic Shake-Up

90P40100A London AL-DUSTUR  
in Arabic 2 Jul 90 p 7

[Text] Tunisian political circles expect that President Zine El Abidine Ben Ali will conduct a campaign of widespread change within the Tunisian diplomatic corps. Among the reasons for these changes are the victories of some Tunisian ambassadors abroad in the municipal elections that were held recently. Regarding this, it has been said that Mahmoud Mestiri, Tunisian ambassador in Cairo, will return to Ariana, where he won the election for presidency of the municipality, and will be replaced by Staff Major General Youssef Barakat, the former chief of staff of the Tunisian Army.

### 'Informed Circles' Predict Parliamentary By-Elections

90P40100B London AL-DUSTUR  
in Arabic 2 Jul 90 p 7

[Text] Informed Tunisian circles affirm that parliamentary by-elections will be organized in Tunisia before the end of this year to fill the current vacancies in the

Chamber of Deputies due to appointments or the selection of some deputies for non-parliamentary positions. These circles estimate the number of vacant seats to be between 30 and 40.

### DCR Secretary General on Party Politics, Opposition

90AA0208A London AL-HAWADITH in Arabic  
7 Jun 90 pp 38-39

[Interview with Abderrahim Zouari, Secretary General of the Democratic Constitution Rally [DCR], by Mazin al-Saghir in Tunis; date not given]

[Text] Last week was the 70th anniversary of the founding of the DCR in Tunisia which was established on 4 June 1920.

AL-HAWADITH interviewed DCR Secretary General Abderrahim Zouari who spoke to us about the DCR's historical march. He also discussed hot issues, such as the municipal elections, the Arab summit, the Maghreb Union, and the 7 November 1987 achievements.

[Al-Saghir] After more than 2 years since the 7 November manifesto, how do you, in the DCR, evaluate what has been achieved of the objectives contained in the manifesto?

[Zouari] Since 7 November and up to now much has been achieved on all levels. We cannot in a short space of time discuss everything in detail, but we will discuss things in general. What we place on record from 7 November and to this day is, first, the manifesto itself, which embodies cultural advancements on all political, economic, social, and educational levels. President Zine El Abidine Ben Ali has carried out this great change and launched the salvation process which in itself is a great achievement by the president who risked the dangers of this process, including the personal dangers involved. This he did out of national duty. After the change came the manifesto, which was not the only thing; what is more important was the achievement. Throughout this time measures, decisions, and legislations have been taken in all the fields the basic objective of which is to purify the political atmosphere so that Tunisia can move to a new era founded on democracy, economic stability, and social justice and so that it can be entrenched in its Arab and Islamic identity.

This is an ambitious and important program, which takes years to accomplish. Yet much has been accomplished. The best evidence of this is the democratic process and the legislations adopted to this end, including the law on parties and the general amnesty affecting all Tunisians. This was a culmination of national reconciliation, something that Tunisia has not experienced in ages. The latest of this was the amendment of the electoral code which is regarded as a new and important landmark on the path to successful democratization. The DCR has played an effective and positive role in all these initiatives, and President Ben Ali has



entrusted it with the responsibility of carrying out the change. Therefore, we respond to every initiative and seek to realize its success. Our participation in the Higher Council for the National Convention and in amending the electoral code is evidence of this. It is also evidence of the fact that the DCR has changed too and that it is today realizing achievements. Despite all this, we consider ourselves to be still at the beginning of the road because major tasks are awaiting us, especially on the level of economic development, social justice, and educational standards. Some people differ with us and would like everything to change overnight, irrespective of the consequences of such rapid change. We have seen such consequences in some other countries. We say that President Ben Ali has a comprehensive view of the projected building of a new society. But this requires covering many stages. Together with him, all of us are working to complete the stages one by one in order to ensure success and continuity so that no mistakes will occur.

[Al-Saghir] What are in the DCR view the most important stages that have been accomplished after the 7 November manifesto?

[Zouari] The most important stage is the purification of the political atmosphere, restoration of trust, and public reassurance leading to stability, as well as national reconciliation. The democratic process that has begun was launched with both firm and important steps.

[Al-Saghir] There is an obvious problem in Tunisia between the fundamentalist movement and the government and its ruling party, and probably with certain other political parties. How do you in the DCR view solving this problem?

[Zouari] First, this problem is not unique to Tunisia; it is being faced by several Arab and Islamic countries. Therefore, we should view it from this angle. But every country has its distinguishing characteristics. We in Tunisia consider ourselves a Muslim people, and our constitution stipulates that we be a state in which Islam is the religion and Arabic is the language. We regard the steps taken by the new regime toward accommodation with religion as important, very important. Perhaps there were difficulties in this respect prior to 7 November. But this ended after 7 November. The various measures which President Ben Ali took and which he continues to take in this regard are most evident of this.

For this reason we say that we are not in need of a religious party nor do we need to recognize the existence of a religious party. Otherwise, we in the DCR, for example, would become nonbelievers and non-Muslims. On the other hand, there is the law that clearly says that no party can be established on the basis of a language, front, or religion. Also, we believe that Islam should not become involved in politics. Islam is above parties and above political conflicts. Islam consists of values and constants, whereas politics are variables and plans. We

all understand the meaning of this. Therefore, we do not want to involve the Islamic religion in all these conflicts; rather, we place it above all that. These are our views and analyses in order that religion not be confused with politics.

[Al-Saghir] You mentioned that the question of the fundamentalist movements is being raised in many Arab and Islamic countries. Has this subject been discussed in the Maghreb Union, since we all hear about these movements in the other Maghreb countries, such as Algeria and Morocco?

[Zouari] In fact, it was discussed on several occasions between Maghreb officials and parties, occasions at which it was possible to meet and to talk about this subject. We have come to the conclusion that views are similar because the subject is tackled in the same manner and the same method and has the same dimensions in all these countries. In all these countries the fundamentalist movements want to take over power by using religion. This is what we heard and what we learned from officials, foremost among these is brother FLN [National Liberation Front] Secretary General who was with us in Tunisia recently. He said power cannot be reached through the streets or by non-democratic means. The same thing goes for Morocco and Libya. In all Arab countries you would find a consensus on this. Of course, each country has its own distinguishing character. We in Tunisia are a Muslim people; our creed is Malikite and we are Sunnis. The DCR alone is not responsible for dealing with this matter. Indeed we consider society today to be following a democratic path and believing in human rights, the republican system, and woman's gains, which are important and cannot be forsaken. The Tunisian woman is not ready to forsake these gains, and we support her in that.

[Al-Saghir] There is a certain view—I don't know how correct it is—that says that the fundamentalist trend in Tunisia is the most moderate Arab fundamentalist movement. What is your opinion on this?

[Zouari] I don't know exactly all the trends in the Arab countries. But what I know and what we hear is that all these trends have one and the same source and origin. Perhaps their method of action differs from one country to another because conditions in a particular state do not allow this or that. But, in the final analysis, I would say that their plans cannot be domestic as long as the source and origin are one and the same and the objective is one—to reach power. We have noticed that the Tunisian movement's message changes from one place to another. In other words, an individual [fundamentalist movement member] in America would speak with a certain voice, in France in another voice, in an Arab country in yet another voice, and in Tunisia in a different voice. The Tunisian people have now noticed this dissimilarity. Not only we the officials but also the Tunisian people have noticed this. Had we drawn the people's attention to this matter at the beginning, they would have probably rejected it. An example of this is our handling of the

situation in the Tunisian University. Had this matter been dealt with by force from the beginning the public opinion would have stood against us. But we let the matter be dealt with through democratic dialogue. At a certain time we were accused of weakness in view of the situation that occurred at the university, when studies in certain colleges were suspended for several weeks. But we wanted the university atmosphere to be civilized until the change that occurred on 7 November. We in Tunisia draw a red line that cannot be crossed because we advocate the state of law both in words and in deeds. Some people want only words, but we say no because there is a red line that nobody whatsoever can cross. When matters in the university reached the red line the solution was brought about and the law was enforced. Public opinion was aware of what happened through the media and the law.

[Al-Saghir] The municipal elections are imminent, and there are those who advocate the participation of all the political forces in them. In your view, how far would these elections contribute to putting the Tunisian political house in order in light of efforts to define the electoral law and to make it representative in these elections and the coming legislative elections?

[Zouari] In general we consider democracy to be participation in political life, especially in elections. Therefore, he who calls for democracy and leans towards it cannot refuse participation. We consider the door to be open and the law guarantees this to everyone who meets these conditions, whether he belongs to a party or not. There are the independent lists that are important in all the other election fields. Therefore, no one has been banned from participation. In fact, we have prepared for these elections since 2 April 1989, that is, after the legislative elections that took place then. One week after victory, a meeting was held for the political bureau under the chairmanship of DCR leader President Ben Ali. We carried out an evaluation of these elections from all their positive aspects in order to strengthen them and to identify the negative aspects in each case. This has been done. The law provides every guarantee. Therefore, we have prepared for these elections while bearing in mind that we are responsible for the success of the democratic process. The behavior of our partisans in the recent campaign was, as the head of state said, civilized. This time too we want similar behavior.

[Al-Saghir] How far has the DCR been affected by the actions of the previous regime? Has the DCR paid or is it paying the price of that regime's actions?

[Zouari] On the fourth of June the DCR celebrated the 70th anniversary of its establishment in 1920. But the party, despite what happened in the past, knows how to make a date with history. This is the difference between it and the other world parties that have disintegrated and no longer exist, or certain parties in the socialist countries and what they have been going through. This is important, very important indeed because this is a reform party that has never claimed to have come with a

revolution. We have seen the state of the parties that came with a revolution turning topsy-turvy. Ours is a reform party and the inheritor of the existing reform movement in Tunisia. It is also the party of liberation, that is the party that has liberated the country. It is the party building the modern state. After the 7 November change it has become the party of accomplishing the change. It is the party that has been entrusted with the cultural program that President Ben Ali introduced and with achieving its goals and objectives. The DCR has experienced important historical events to which it knew how to react so that it will forever remain new and inventive. Before the change, we experienced difficult years. After 7 November some vestiges of the past remained. This was due to several reasons that we all are aware of, particularly the absence of democracy, even inside the DCR itself. When the change came in November, the country was, of course, the first to benefit from it, then the DCR. For this reason, after the change, action began on three levels; first, on the internal party level where grass root action began. That is, we began from the base, and after the reconciliation, we opened the door to all the cadres, the strugglers, and the qualified people to engage in self-criticism. This is a sign of health and confidence. It is also a scientific action which we regard important for the DCR's fate. After self-criticism, which dealt with everything, we began preparing for the conference, which in fact was held. We also initiated action from the base in order to renovate the entire framework that in Tunisia we call branches [shu'ab], that is the base framework. These had then totalled 4,500 branches, but now they total 6,000 branches for which the rate of [membership] renewal is 65 percent. The same goes for the constitutional leagues which used to be called party circles, the central committee, and right up to the conference. We emerged from the conference with programs and directives on all levels, with a new political platform, and new behavior. This has enabled the DCR to attract its large number of members (1.5 million members), at a time that we see some parties in other countries collapsing. The DCR is now breaking records as never before. This is in addition to its openness toward other political forces and parties in order to achieve and consolidate national reconciliation. A final point is our relations with the state. We are shouldering the responsibility of governing, but on the other hand, as President Ben Ali said, our stands are ahead of those of the state. We mean taking initiatives in our foreign policy, for example. Our stands sometimes embarrass the state. We say this frankly. We proceed from purely popular principles. Our attitude toward Iraq is clear. Our attitude toward Libya is clear. As for Palestine, the Tunisian people in its entirety—leadership, government, and parties—stand with it. As for the question of relying on the state and administration, as was previously the case, this has ended, and we are seeking its end. Also, with regard to the question of financing, we very much rely on ourselves and on the DCR membership. As for the cadres and employees which numbered in the hundreds, only very few of them are left. This is President Ben Ali's decision, which we are seeking to implement.

[Al-Saghir] Does the economic challenge, in your view in the DCR, come before the political challenge in the matter of democracy and the organization of the political state of affairs?

[Zouari] Democracy and development are parallel factors; development is one of democracy's conditions and democracy is one of development's conditions. The mentality that says give me bread first and let dignity, freedom, and similar things come later no longer exists. We believe that this encourages the individual. Individual incentive is important for economic reasons because there is a distribution of roles within the state, which is responsible for the strategic sector and the private individuals who work and achieve in the competitive sector. This distribution of roles is based on realistic economic effectiveness. The era of theories and ideologies, thank God, has gone. The only theory today is application, pragmatism, and realism. Once again, we say that democracy and development complement one another.

[Al-Saghir] For all practical purposes, the march of Maghreb unity sprang forth from the Tunis summit. How do you view its course and how close is what has been achieved so far to the popular and official aspirations in the Arab Maghreb states, especially in view of the fact that Tunisia is now chairing the union's council?

[Zouari] What has been achieved is something great and important, and what has remained to be achieved is even more important. In the past this was the dream of generations, and we all recall the Tangier conference. We believe that the 7 November change has changed many concepts in the Arab Maghreb, particularly in our course toward building a united Arab Maghreb. President Ben Ali has called for a Maghreb without boundaries. We are aware of the problems on the political level. These problems take time to resolve. There are economic and social problems which we are striving to resolve gradually. We are carefully but solidly building politically, socially, and economically. Therefore, I say that the resurrection of the Higher Council of the Maghreb Union as an institution is very important, because with the rotation of the council chairmanship, every leader that comes is called upon to show results. We have seen the efforts that King Hassan II has made in order to produce results, and today we see what President Ben Ali is showing results. This underlines the importance of the

periodical meetings. I cannot imagine an official or leader forsaking this commitment, because this is not only the responsibility of the leaders but also of the peoples. Thanks to the democratic process today I do not expect the people's will to be disregarded. We have seen accomplishments, including President Ben Ali's initiative to lift custom duties on those travelling to Maghreb countries and to set up a special hall for them in Maghreb airports, and to establish a Maghreb University in Algeria. There is also the initiative to establish a Maghreb airline. Furthermore, there is the overland road that links the Maghreb countries. There is also now the Maghreb television channel. In fact, there are many successive initiatives. In the past achieving one of them used to be regarded as a very great accomplishment. We regard this as an irreversible process and nobody can go back on it. What has remained to be achieved is the more important, because the challenges being faced are very important, particularly in view of what is happening in Western Europe. What has taken place and is still taking place in Eastern Europe and in all the world countries in terms of bloc-formation. Changes call upon us to follow this course. This is not only an option but also a necessity. Therefore, we must hurry but not rush, because we still keep in our memory certain old experiments and their results.

[Al-Saghir] The question of the Arab summit is a hot and fresh topic, particularly since this summit will be held under the shadow of two threats for the Arabs: The Soviet Jewish immigration, and the threats to Iraq and some other Arab countries. Do you expect the leaders to come up with changes in the Arab strategic lines?

[Zouari] What we wish for this summit is success and progress toward better things on the basis and principles upon which all of us and the world agree. We all today as Arabs support peace and peaceful solutions. In fact, Palestine has given us a lesson in dealing with issues. The initiatives and peaceful solutions it has put forward have prompted many world countries to reassess their attitude toward it. Naturally, the Palestine problem or other problems that have reached an impasse cannot be left without a solution indefinitely. If an Arab country is threatened with attack or is attacked, all the Arab countries will naturally stand with it. We, of course, support Iraq and stand with it. Iraq and Libya or any other Arab country that comes under attack will find all the Arabs on its side.

## BANGLADESH

### Paper Reports on Presidential Election Plans, Comment

#### Specific Day Not Named

90AS0271A Dhaka THE BANGLADESH OBSERVER  
in English 6 Jun 90 p 1

[Text] The government has decided to hold the presidential election in May next year, a highly placed official source said in Dhaka on Tuesday.

The source, told UNB that the authorities have decided on the month of May and are working on a specific date for the polls.

"The month of May has been found to be the most suitable for the next Presidential election," he said.

President Hussain Muhammad Ershad, saying he will be a candidate, has already announced that the Presidential vote will take place any day between April 14 and Oct 14.

His current five-year term ends on Oct. 14 next year.

The mainstream opposition which boycotted the 1986 presidential balloting has so far rejected the polls offer.

JSD (Jatiyo Samajtantrik Dal (National Socialist Party)) leader A.S.M. Abdur Rab is so far the only mentionable political leader who said he will run for the presidency.

The source said President Ershad is optimistic about the opposition's participation in the next year's election.

He said the next presidential vote is important for Bangladesh, especially because the people will also choose, for the first time, a Vice-President through direct election.

The Vice-President has been made an elective office under the ninth amendment of the constitution passed by the Jatiya Sangsad last year.

As President Ershad has virtually launched campaign for his candidacy, the political speculations are now focused on his possible choice of a running mate.

#### More Representative Government Needed

90AS0271B Dhaka THE BANGLADESH OBSERVER  
in English 13 Jun 90 p 6

[Editorial: "Parties, Programmes and Elections"]

[Text] Presidential elections, according to a reported decision by the Government, is set for May 1991, almost a year away from now. It is in the fitness of things, that elections, presidential (advanced by six months) or parliamentary should be held on schedule and announcements made in time for political parties to prepare to participate and for the electorate to make a choice of their leaders, in a free and fair election.

Elections, parties with their programmes and the electorate judging the candidates by their capabilities to run the country—these are the essential preliminaries of a multiparty democracy sustaining the governments that have come to power by the populist vote e.g., American and British democracies, to mention the two most complete forms of government by consent. They also provide the model for societies on their way to democracy, particularly for those who have made a start but are yet far from fulfilling the institutional requirements of a democracy. Bangladesh is one of them.

The result of what turned out to be an unilateral election in 1988 was a virtual political stalemate and the government that took office assumed the character of one-party rule and the parliamentary proceedings lacked the invigorating virtue of an effective democratic opposition serving the purpose of genuine debate and criticism, both inside parliament and outside in the country. Parliamentary elections, free and fair, and a parliament coming into being following them are the two basic institutions of democratic government.

Unfortunately for us as well as for some African and Asian countries personality clashes or party differences have long made it hard for them to evolve a national consensus to run the country along proper democratic lines. To ask for an effective parliament (the people's forum) or a free and fair election is not to ask for any abstract ideal or principle but for the universally recognised and tried method of efficiently dealing with the problems of the people and solving them to take the nation successfully through stages of development.

It is time, therefore, to think seriously why even two decades of independence and sovereignty have not enabled the nation to solve its problems in the social, economic and other sectors, notwithstanding the energetic efforts being made by the incumbent government. One simple answer is that nearly one-half of the nation is staying apart from the task of policy-and-decision-making and, worse, energies are being expended more in keeping alive factional differences than in forging opposition unity.

The reason for the people to ask for this unity as a counter-force to the incumbent government is the gain they will make by a regular opposition participating in the law-and-decision-making process of the government that will ease their poverty, increase the production of goods and services, solve the unemployment problem, provide for cheap and adequate medical service, increase the rate of literacy, ease rural misery, resist inequitable tax-raises, ensure security of life and property and so on. These problems compounded by abuse and corruption have assumed acute proportions.

Here is a population that has nearly trebled over the past three decades and about 90 percent of it (nearly 7 crore out of a population of 11 crore) live below the poverty line. The per capita income of \$160 (one of the lowest in the world) does not reveal the fact that the rich (mostly



urban) have become richer and the poor (both urban and rural) poorer. The urban facade of prosperity seems to conceal it although the grim socioeconomic reality has not escaped national or international economic analysts. The obvious need is a government more broadly representative of the people and a national consensus—above all, a democratic contest between the leaders and parties on the basis of concrete programmes produced by them for the solution of the people's problems enumerated above.

It is indeed with programmes of action and answers to people's problems that party-leaders in the established democracies face their electorate that the latter may pick and choose between them. For a country like Bangladesh an electoral choice so made is crucial in order that the chosen leaders can deliver the relief and redress the people so desperately need.

### **Minister Announces Export, Import Targets for 1990-91**

#### **Radio, Television Address**

90AS0267A Dhaka THE BANGLADESH OBSERVER  
in English 1 Jul 90 pp 1, 8

[Text] The country's import during 1990-91 is projected at Tk. 9000 crore as against the export target of Tk. 6069 crore, reports UNB.

This was announced by Commerce Minister Major General (Retd) M. Shamsul Huq while presenting a review of the export-import policy for 1989-91 over radio and television network Saturday evening.

The share of private sector import was envisaged at Tk. 6009 crore, public sector Tk. 1496 crore, petroleum sector Tk. 1465 crore while Tk. 30 crore will be provided for cash import.

The Minister, however, did not disclose the sources of the funds for the imports.

He held out an assurance that adequate tariff protection would be given to the domestic industries.

The Commerce Minister further said government decided to evolve an extensive monitoring system to check import of non-essential items.

The assurance from the government came in the wake of widespread criticism of allowing imports of luxury items.

At the same time the Minister said import would be further liberalised and deregulated in certain cases in the coming year.

Speaking about the export performance of the current fiscal year, he said it would reach Tk. 4042 crore exceeding the target by 3.4 percent.

About import he said it was held down to Tk. 8116 crore during the financial year as against the projection of Tk. 8360 crore.

The Commerce Minister said the country's export target of Taka 5353 crore for the fiscal 1990-91 was refixed at Taka 6069 crore after consultations with all concerned with export.

He said, the export earning from the frozen food might be limited to 122 million US dollar as against the targetted 175 million US dollar during the current fiscal. Declining price in the international market attributed to this, he added.

He mentioned that the government would take different measures to increase shrimp production to 500 kg per acre from the present 100 kg.

Commerce Minister hoped the country would earn US dollar 162 million from leather export in the current fiscal as against 137 million US dollar in 1988-89.

The export of finished leather has now been increased to 55 percent, he said adding that the earning from his sector could be increased further by exporting finished leather and leather goods.

The Minister hoped the earning from ready-made garments would be about 627 million US dollar in the current fiscal as against the targetted 531 million US dollar.

#### **Minister's Press Conference**

90AS0267B Dhaka THE BANGLADESH OBSERVER  
in English 2 Jul 90 pp 1, 10

[Text] Commerce Minister Major General (Retd) Shamsul Huq on Sunday admitted some import mismanagement during 1989-90 resulting in excess import of certain items including lentil, fruits, onion and spares of video cassette recorder.

Addressing a Press conference on Export Import Policy of 1990-91 at a local hotel on the day, the Commerce Minister said that the Government had decided to monitor the import of commercial items to avoid excess import and to remove mismanagement in external trade in future.

The import of lentil during 1989-90 was worth Tk. 130 crore as against the import of Tk. 70 crore during 1988-90 and Tk. 55 crore during 1987-88, the Commerce Minister told a questioner. The investigation regarding mismanagement in import of certain commercial items, including lentil was in progress, he said. The Government has imposed 20 percent duty on import of lentil, onion and fruits to contain the import of such items, the Minister said.

The import of fruits during 1989-90 was worth Tk. 49 crore against the import of fruits worth Tk. 24.60 crore during 1988-90, he said. The import of video cassette

recorder was worth Tk. 54 crore during the last year against the import of the item worth Tk. 34 crore during 1988-90, he said.

The Minister while facing volley of questions appeared to be contradictory when he said that the import of lentil during 1989-90 was 90,000 tons against the shortfall of 1.5 lakh tons. He said that the country was still facing deficit in supply of lentil. He also disclosed at the Press conference that two trading houses in Chittagong had cancelled their Letter of Credit for import of 10,000 tons of lentil from Australia in view of fall in demand of lentil in the market.

#### **Secondary Exchange Market Share**

Explaining the import financing during the current year, the Commerce Minister said that about 75 percent of the Import Bill would be met from secondary exchange market. This however, does not include the import of capital machinery or foodgrains. He said that the share of secondary exchange market would be Tk. 6727 crore in the Tk. 9,000 crore import target of the 1990-91. The other major sources of financing are 1562 crore from commodity aid, Tk. 680 crore from barter and Special Trading arrangement (STA) and Tk. 30 crore from cash resources, he said.

Regarding utilisation of the import allocation during the last year the Minister said that it stood at Tk. 7325 crore or nearly 98 percent of the allocation of Tk. 8360 crore. The government would launch drive for promotion of exports of both traditional and non-traditional items, he said. The earnings from garment sector is also expected to increase during the current year, he said. The government has projected a 15 percent growth of export earnings from garment sector over the level of US dollar 627 million during 1989-90, he said. He also stressed the need for increased utilisation of local fabrics and accessories to increase the percentage of earning from the garment sector. Regarding export of tea he said that Bangladesh was exploring more markets including some of its traditional markets including Pakistan. The export of tea suffered last year as Pakistan had withdrawn the provision of single country right regarding import of tea from Bangladesh.

He also sought cooperation from all people to curb smuggling of foreign goods including saree and other consumer goods to help grow local industries.

#### **Paper Publishes Text of Finance Minister's Budget Speech**

90AS0265A Dhaka THE BANGLADESH OBSERVER  
in English 15-17 Jun 90

[16 Jun, p 8]

[Text] Mr. Speaker, Sir,

I seek your kind permission to place before the Sangshad the budget proposal for 1990-91 and revised budget together with the supplementary budget proposal for 1989-90.

2. Before placing the budget I would like to express my sincerest gratitude to the Hon'ble President who has shown his confidence in me by giving me this responsibility.

Mr. Speaker, Sir,

3. The political and socio-economic outlook of the Hon'ble President Hussain Muhammad Ershad has provided the perspective for our development plan and economic management. You are all familiar with this philosophy and outlook; nevertheless, I would briefly mention only those elements which are pertinent to economic activities. Political stability, social peace, discipline and hard work can make our efforts for development a dynamic process. Institutionalization of the democratic process can help establish the desired stability and peace. The election to the Upazila Parishad has again been held, which will reinforce the foundations of democracy. Spontaneous participation of the people in the development process is necessary, which has been made easier and more meaningful by the Government's policy of decentralization and the establishment of the Upazila Parishad and the Zila Parishad. Floods, draught, storms and tidal waves interrupt the process of development and the normal life of our society. The Government has already taken a number of steps for flood protection; the international community also has responded positively to our problems. Prevention of environmental degradation and maintenance of ecological balance receive due importance in all our activities. High rate of growth of population creates additional pressure on the environment, whence arises the imperative to limit the population to the bearing capacity of the land. Family planning programme and the health services have critical roles in this area. The expansion of the public health service system and the National Drug Policy have brought about significant changes in these fields. The management efficiency of the health system, however, needs to be upgraded. The Guchchagram Programme (Cluster Village Programme) now under implementation and programmes for rehabilitation of the urban slum population will make further contributions to poverty alleviation. The "Patha Kali Trust" has already been established for the welfare of the orphan children. Moreover, the Hon'ble President has also issued directives for establishing a Trust for the physically handicapped. Steps are being taken for modernization of agriculture and introduction of mechanized agriculture. Improved transport and communication and supply of electricity are essential infrastructures for economic development. A well-educated and efficient population is the driving force for development; so education has always received high priority in Government's programmes. We cannot hope to achieve efficiency in production while denying benefits to the workers; hence the need to ensure a fair wage. In order to

survive in an increasingly competitive world, we have to be self-reliant; progressive reduction of the trade gap is a necessary means to that end. Our resources are limited; optimum use of those resources through efficient management is absolute necessary. While the Government is determined to establish accountability at all levels of administration, it is also cognizant of the need for welfare of the government officials and staff. The philosophy enunciated by the Hon'ble President is a source of inspiration for all of us and is reflected in the Perspective Plan, the Fourth Five Year Plan, and management of the government finance and the overall economy.

Mr. Speaker, Sir,

4. The current and the next financial years are of special significance for various reasons. I will mention only a few important aspects now; I will try to throw some light on them later in the course of my speech. The Third Five Year Plan will commence from 1990-91. The economy experienced various difficulties during the implementation of the Third Five Year Plan—the floods of 1987 and 1988, other natural disasters which occurred during this period, and the changing international political and economic environment, not always to our advantage. The floods of 1988 were the worst in the living memory. The present year, however, was comparatively free from natural disasters; as a result, growth in agriculture sector and the overall economy has been significantly higher than in the previous years. During this year the Government has also taken a number of steps important from the social and political points of view. Decision has been taken for introduction of universal compulsory education at the primary level and for exemption of fees for girl students up to class VIII in schools outside municipal areas. With a view to providing better security to the public, the Government has taken steps for reforms and improvement of the efficiency of the Police Force.

#### The Third Five Year Plan

Mr. Speaker, Sir,

5. At the outset I would like briefly to touch upon the important aspects of the Third and the Fourth Five Year Plans. The Third Five Year Plan spans the period 1985-1990. Among the objectives of the plan were accelerated growth, generation of employment, meeting the minimum basic needs of the people, and laying the technological basis for socio-economic structural transformation.

6. The Third Five Year Plan envisaged an outlay of Tk. 38,600 crores—Tk. 25,000 crores in the public sector and Tk. 13,600 crores in the private sector. In the public sector seventy-six percent of the planned outlay were to be met from external resources and the remaining twenty-four percent from domestic resources. Financing according to this plan has not been possible because of domestic resource constraints; about ninety percent of the financing were met from external resources and

about ten percent from domestic resources. The public sector outlay is estimated at Tk. 17,435.39 crores at 1984-85 constant price, which is about seventy percent of the planned outlay.

7. The private sector outlay is estimated at Tk. 12,134 crores at current price. At 1984-85 constant price this amounts to Tk. 9,882 crores only, which is about seventy-three percent of the planned outlay. In agriculture, physical planning, housing and industries sectors 40-55 percent of the planned outlay were realized; on the other hand, 143 percent of the planned outlay were realised in transport and communications sectors and 250 percent in trade and other services sectors. It appears that transport, communications, trade and services are more attractive to the private entrepreneurs.

8. The Third Five Year Plan envisaged average annual growth rate of 5.4 percent; the latest estimates indicate an average annual growth rate of 3.8 percent. The lower realised growth is mainly due to natural calamities having adverse impact on the various sectors, particularly on agriculture and industry, which thus showed relatively low growth rates. In 1985-86 agriculture sector grew at about 3 percent; in 1987-88 and 1988-89 it slumped to negative growth rates of 0.53 and 0.02 percent respectively. The floods of 1987 and 1988 explain the temporary stagnation in agriculture. On the basis of the latest information, it seems that the agriculture sector will have a growth of about 5.6 percent during the current year. Even then, the average annual growth rate of agriculture during the Third Five Year Plan period is estimated to be less than two percent.

9. In the industries sector the average annual growth rate was slightly over 4 percent compared with 10 percent envisaged in the Plan. There was some stagnation in industry during 1985-1989 and annual growth rates were around two percent. Growth rate for 1986-87 estimated at 6.6 percent is an exception to this trend. The latest estimate for the current year indicates a growth rate about five percent.

10. Growth rates in the other sectors approximated or exceeded the planned targets, namely—transport and communications, trade and other services, construction, public services, etc. Electricity, gas and natural resources sector should be mentioned specially in this context, which achieved growth rate exceeding 17 percent compared with 9.6 percent envisaged in the Plan.

11. Growth rate for 1989-90 has been estimated around 5.8 percent at constant factor cost of 1984-85, which is the highest achieved during the Third Five Year Plan. The growth rates in 1985-86 and 1986-87 were around four percent. During 1987-88 and 1988-89 the growth rates were around three and two percent respectively. The above information shows that it is possible to achieve higher rates of growth if favourable natural conditions prevail, which is a proof of the underlying strength of the economy.

12. The structural changes envisaged in the Third Five Year Plan have been realised to some extent. Agriculture accounted for 42 percent of the national income at the beginning of the plan; according to latest estimates, its share will fall to around 37 percent in 1990. The share of industry in national income has remained at about the same level, its contribution to national income rising from 9.9 percent to 10.1 percent.

**Perspective Plan and Fourth Five Year Plan:  
Techniques and Outline**

Mr. Speaker, Sir,

13. Socio-economic development is a complex and lengthy process. Keeping this in view, the Government has undertaken the preparation of a Perspective Plan spanning the period 1990-2010 for socio-economic development, structural changes, and future growth. The main objectives of the plan are acceleration of economic development and poverty alleviation through human resources development and creation of employment. The long term plan, of necessity, is flexible which will allow choice of appropriate strategy and modalities consistent with the changing times and environment to attain the ultimate goals. The Fourth Five Year Plan, which incorporates the objectives of the perspective plan, makes an attempt to do this. The objectives of the Fourth Five Year Plan are human resources development, poverty alleviation, and expansion of employment for the growing labour force.

14. In respect of planning techniques, an important feature of the Fourth Five Year Plan is the integration of economic sectors with socio-economic groups. The Plan divides the socio-economic system into two categories—namely the rural and the urban. The rural economic activities have been divided into agricultural and non-agricultural; the rural population engaged in non-agricultural activities are again divided into formal and informal groups. The urban population also have been divided into formal and informal groups likewise; the urban population, however, are engaged in non-agricultural occupations only. Based on ownership of land, tenancy relationship, and the area of land, the population engaged in agriculture has been divided into six groups, namely—landless agricultural labour; small farmers (owning 0.0-1.5 acres); owner-cum-tenant medium farmers (cultivating 1.5-5.0 acres); medium owner-cultivators (1.5-5.0 acres); large farmers (5.0-10.0 acres); very large farmers (more than 10 acres). The rural non-agricultural population are all part of the rural informal group. The urban poor constitutes the informal group in the urban area; on the other hand, the more prosperous urban population constitutes the urban formal group. The integration of economic sectors with socio-economic groups will facilitate tracking the impact of sectoral investments on poverty alleviation. It may be mentioned in this context that the labour force has been divided into three categories namely—skilled, unskilled, and semi-skilled. The General Equilibrium Model underlying the Plan will make it possible to identify the

impact of development activities on the labour force and the different socio-economic groups, sectoral efficiency and productivity in use of resources, employment generations and poverty alleviation.

Mr. Speaker, Sir,

15. We should remember that the landless, small farmers and the informal groups constitute about fifty percent of the total population of the country. It is necessary to ensure that the benefits of planned development and economic growth reach them. The Government is determined to alleviate poverty and raise the level of welfare of the vast majority of the common people, which is reflected in the techniques and strategies of the structure of the Plan and its implementation. In order to achieve this objective it is necessary to develop the organisational skills of the poor concurrently with the efforts of the Government. Enhanced organisational capability will help the poor identify their needs and choose appropriate measure and mobilities for meeting those needs. In addition the importance attached to these groups in the plan, it will be necessary to take up projects and programmes addressing their specific needs.

16. Besides poverty alleviation and employment generation, the Government is also examining the feasibility of introducing a social security system for the various income groups. At the instance of the Hon'ble President, a team from Bangladesh led by the State Minister for Finance visited the Philippines to see the social security system in that country. The Government is now examining the team's report and recommendations. The social security system is expected to achieve simultaneously two objectives: first, to provide appropriate financial security to the various income groups; secondly, to encourage the beneficiaries of the system to increase their savings, which will have a positive impact on overall domestic savings. The experience of various countries—particularly that of the industrialised countries—shows that the cost of social security tends to increase and create a burden on Governmental resources. Secondly, it tends to distort the labour market and create rigidities in labour supply. Many of these countries are now trying to contain the expenditure on social security and remove the distortions and rigidities in the labour market. In the light of these experiences, the Government will take necessary prudent measures in introducing any social security system so that it does not become a burden on Government's resources and does not transform into a system of transfer payments of the nature of relief or subsidy.

17. It is undeniable that our resources are limited. This is true not only of us but of any country, nation or economic system. It is, therefore, necessary to make optimal use of the resources in order to maximise economic growth. The importance of the residual factor and improvement of efficiency and productivity in economic development is attested by the experiences of all developed countries including the Newly Industrialist



Countries (NICs). The Fourth Five Year Plan emphasizes the critical role of the residual factor—and we hope that better efficiency and productivity will help accelerate growth of national income. Productivity will be a critical determinant in allocation of resources. The following are the two basic principles which will be followed in allocation of resources: relative efficiency in use of resources in each sector and intersectoral linkages or sectoral inter-dependence. It is not possible for any particular sector to attain growth in isolation from the overall structure of the economy or from the other sectors. It is pertinent to recall here that about eighty percent of the population live in the countryside and are directly or indirectly dependent on agriculture. Agricultural growth, therefore, is a precondition for overall development. Growth of income in agriculture sector will stimulate demand for industrial products and thus help growth of the industrial sector. The growth of these two sectors will be put within an integrated framework and physical and social infrastructures will be developed in a manner consistent with the need of the agriculture and industries sector.

Mr. Speaker, Sir,

18. The outlay for the Fourth Five Year Plan is estimated at Taka 67,230 crores in 1989-90 constant price, including Taka 40,730 in the public sector and Taka 26,500 crores in the private sector. The public sector and the private respectively account for approximately 61 percent and 39 percent of the total plan outlay. Domestic resources are expected to provide about 48 percent of the plan outlay, while the remaining 52 percent are expected from external resources. External resources will finance about 74 percent of the public sector outlay; on the other hand, 83 percent of the private sector outlay are projected to be financed from domestic resources.

19. It is clear from the financing plan of the Fourth Five Year Plan that efforts for domestic resource mobilisation and augmentation of domestic savings—particularly savings in the public sector—need to be strengthened. During the Third Five Year Plan it was observed that the current expenditure of the government increased at a rate faster than increase of government revenues; as a result implementation of the development programme and investment became increasingly dependent on external resources. The implementation of the Fourth Five Year Plan, therefore, requires strict control over unproductive expenditures by the Government. Efforts will have to be made to restrain growth of current expenditure at 5 percent per annum in real terms as projected in the Plan. We shall have to make sincere efforts for controlling excessive expansion of employment in the public and improving efficiency in administration and management.

20. The Fourth Five Year Plan envisages annual growth at five percent on an average, which can be realized if resources are available as projected and if the assumptions and the techniques hold. The projected

sectoral annual growth rates are as follows: agriculture, water resources and rural development—3.60 percent; industry 9.10 percent; electricity, gas and natural resources—11 percent; transport and communication—5.39 percent; physical infrastructure, housing, etc.—6.10 percent; other sectors—4.45 percent. Development and diversification of agriculture and promotion of small scale industries are among the important elements of the plan strategies. The objective of the industries sector will be to provide adequate supply for domestic demand; besides, industries will be oriented towards exports. Specific products will be identified for development on the basis of comparative advantage so that dependence on external inputs is gradually reduced. This structural strategy will help contain and progressively reduce the balance of payments gaps.

#### Agriculture Sector and Policies

Mr. Speaker, Sir,

21. Measures have been taken in the light of the success and problems experienced in the agriculture sector during the Third Five Year Plan. Through you I would now like to bring to the notice of the Sangshad some of the important features of these measures.

22. The Green Revolution in this country started from the sixties. The Green Revolution basically aims at higher efficiency and productivity in agriculture through new technology. During the last few years we have tried to introduce institutional and procedural innovations compatible with the new technology. The role of the private sector has been expanded in import and distribution of fertilizer, irrigation equipment and power tillers. Private dealers have been allowed to lift fertilizer from the factories within the country. Standardization of agriculture equipment for import by the private sector has been discontinued. Official control over installation of deep tubewell has been relaxed. These procedural changes have generated competition in the supply of agriculture inputs, substantially removed constraints on supply, and the positive results at the farmers' level are now evident. Import of shallow tubewell engines and spares for pumps have been exempted from customs duty and sales tax, which has made import easier and improved the supply situation.

23. Further technological innovations are being pursued, besides the procedural changes and fiscal incentive mentioned above. Until now we have emphasised higher output of foodgrains or cereals; we are now trying to bring about diversification in the agriculture sector. For instance, it is possible to raise total agricultural output by producing more oil seeds, pulses, potato, maize, vegetables, fruits, etc. Their prices and nutritional contents are also higher. While pursuing rapid agricultural growth it is important to ensure that ecological balance is maintained. To this end, importance is being given to integrated pest control management and restraint over excessive use of pesticides. Allocation of resources for

agricultural research, which is the driving force of the agricultural revolution, is also being given due importance.

Mr. Speaker, Sir,

24. These measures have already yielded some benefits compared with other years, the current year has been relatively free from natural calamities, which is favourable to agriculture. As a result, the foodgrains output is expected to exceed the initial estimates; output for this year is currently estimated at more than 19 million metric tons. Aman output is estimated at 9.50 million tonnes which is the highest output achieved so far. Boro output is likely to suffer some setback owing to an unusually long winter, deep mists and early and excessive rainfall accompanied by hailstorm starting from February this year. The rainfall during March-April adversely affected the growth and harvesting of the wheat crop. In spite of these problems, estimated output of more than nineteen million metric tons foodgrains will register a growth of 15-16 percent over last year. This high rate of growth is an indication of the potential of this sector; favourable natural conditions free from calamities or disasters are necessary conditions for realization of the potential.

Mr. Speaker, Sir,

25. It was expected that the need for institutional agricultural credit this year would be larger for attaining a larger output of foodgrains and development of the agriculture sector. Disbursement of agricultural credit until now, however, has been smaller than that during the corresponding period last year. Last year certain special facilities were allowed and a larger programme for agricultural credit distribution was taken up after the floods of 1988. These facilities included remission of interest, revision of the repayment schedules, and grant of new loans even when earlier loans had not been paid. The current year was relatively free from natural disasters; normal credit discipline has been reinstated, which has slowed down to some extent disbursement of loans. A large number of individual borrowers, Upazila Central Cooperative Associations and Cooperative Banks have become ineligible for new loans for defaulting on payment or for having over-due loans against them. The introduction of agricultural credit passbooks since 1984 has also reduced the number of fictitious and false borrowers. The Government, however, is still allowing substantial facilities for grant of agricultural credit. The Board of Directors of respective banks can remit penal interest in full and up to half of the normal interest. At the instance of the debtor, certificate cases can be settled amicably for individual cases not exceeding Tk. 3 thousand each. More than one crore Taka of interest has been remitted benefiting over two thousand farmers and about 1800 certificate cases have been settled amicably under these arrangements.

26. Measures have been taken for improving credit management along with enforcement of credit discipline. Agricultural credit committees, composed of public representatives and members of local administration and the financial institutions, have been set up at union, upazila and district levels. These committees try to identify problems of agricultural credit disbursement locally through discussion and seek their solutions. The Bangladesh Bank and the other banks have also improved their capability for supervision and monitoring of agricultural credit management at field level.

Mr. Speaker, Sir,

27. Non-institutional credit has turned out to be a heavy burden on the poor farmers, though it is a major component of rural credit supply. This has reduced many farmers to landlessness and to change their occupation. The Hon'ble President has set up the Rin Shalishi Board in order to provide redress to the poor farmers distressed by oppressive loans. In each upazila one Rin Shalishi Board is in operation now. The Rin Shalishi Board settles farmers' complaints with regard to non-institutional credit. It is expected that these institutional measures will be able to protect the interest of the small farmers.

#### Industrial Sector and Policy

Mr. Speaker, Sir,

28. The Government attaches special importance to industrial development, to which the New Industrial Policy and the Revised Industrial Policy bear testimony. The Government's efforts for the industrial sector were sustained during the current year also. The growth of population and its demographic characteristics have contributed to the increase of the labour force, but employment has not expanded at the same rate. The agriculture sector can absorb a part of the labour force, but the scope is limited. Rapid expansion of the industrial sector, therefore, is necessary for the absorption of the ever-increasing labour force.

Mr. Speaker, Sir,

29. I would like to bring to the notice of the Sangshad, through you, the important aspects of the measures taken by the Government for industrial development. I have earlier referred to the importance attached to cottage and small scale industries which have better impact on employment generation than large and capital intensive industries. The Government has introduced sub-contracting procedures for cottage and small industries which will enable them to supply divisible components or parts to the large industrial units. This procedure has also established linkage between large industries on the one hand and small and cottage industries on the other. Encouragement of industrial growth in the private sector is another important dimension of government's policy. The Government has already withdrawn equity from a large number of industrial units and through the process of de-nationalisation has returned to

Bangladeshi owners a large number of jute and textile mills. The Government's programme of divestiture of shares will further expand the scope of private sector industrialisation. The number of sectors reserved exclusively for the government has been considerably reduced. Procedures for investment by the private sector have been simplified and the powers of financial institutions for approving investment proposals have been enhanced. The Board of Investment is making significant contributions to the implementation of the industrial policy. Import of capital machinery and spares for establishing new industries and BMRE of existing industrial units are assessed to customs duty at concessional rates and sales tax has been waived. The Government is keen on maintaining regional balance in industrial development, to which end certain facilities are available for setting up industries in undeveloped or less developed areas. These facilities include, for example, special tax holiday, loans at concessional interest rates, favourable debt-equity ratios, etc. The Government has recently decided to earmark a portion of investment funds of the financial institutions for relatively undeveloped areas. The Government has also extended incentives for attracting direct foreign investment; on the merit of individual cases, the foreign investors are given facilities for visiting and residing in Bangladesh. The export processing zone is expected to help attract foreign equity participation. It is worth recalling here that Bangladesh has been a member of the Multilateral Investment Guarantee Agency since its inception. This agency, associated with the World Bank, provides insurance for non-commercial risks which would make investment by foreigners more attractive.

#### Public Food Distribution System

Mr. Speaker, Sir,

30. Adequate supply of foodstuffs—particularly rice and wheat—at prices affordable by the common people is necessary for maintaining order in the society. Among the main objectives of the public food distribution system are food security ensured through maintenance of adequate stock by the Government and distribution of foodstuff at fair prices to maintain stability of price and supply. These principles guide the Government's operations in the food sector.

31. For 1989-90 fiscal year, the Government undertook a programme for procuring 22.16 lakh tons foodgrains including 9 lakh tons of internal procurement and 13.16 lakh tons of import. There was carry-over of more than 10 lakh tons from the previous year. The programme of distribution through both price and non-price channels totalled 23 lakh tons. On the basis of the above programme, it is expected that the year-end stock will be over 9 lakh tons.

32. The large output of foodgrains and adequate supply through the public distribution system helped maintain stable food prices at a relatively low level. On the basis of information received so far, it appears that

the price of coarse rice has been at about the same level as in 1987-88 and 1988-89. The food price index of Dhaka market also indicates that both wholesale and retail prices remained at levels comparable with those of the last year.

33. Procurement of 29.30 lakh tons foodgrains is proposed in the budget estimates for 1990-91. This includes domestic procurement of 8 lakh tons rice and 1 lakh ton wheat. Food aid is expected to be 17.80 lakh tons. The Government's operational stock for 1990-91 is estimated at 38.42 lakh tons including 9.12 lakh tons carryover from 1989-90. Distribution of 24 lakh tons has been proposed including 16 lakh tons through price channels and 8 lakh tons through non-price channels. The gross year-end stock is estimated at 14.42 lakh tons. The proposed programme will help maintain stable supply and price, barring an unexpected calamity. I would like to mention here that in future more emphasis will be placed on internal procurement and import financed by our own foreign exchange or on the basis of deferred payments shall be avoided.

#### Banking Sector Reforms

Mr. Speaker, Sir,

34. The banks and other institutions which market financial assets play a critical role in the economic system of any country. Unless these institutions are based on strong foundations and managed efficiently, their weaknesses are transmitted to the entire economy. On above considerations, the government has taken up institutional and procedural reforms of the banking system. With your permission, I would like to inform the Hon'ble Members of the important aspects of this initiative.

35. In the past the nationalised banks did not calculate their interest incomes taking into account the cost of fund, administrative expenses, losses due to default of payment of principal as well as interest, etc. As a result the nationalised banks are now experiencing a weak financial position and there have been distortions in allocation of financial resources to the various productive sectors. The nationalised banks have large amounts of overdue loans. Quite often they included in their incomes interest accrued on non-performing assets without adequate provisioning for such assets. The banks now face financial problems as a result of such artificially determined profits which formed the basis for payment of taxes and discharge of other financial obligations.

36. The financial sector reforms programme will seek improvement of the conditions of the banks and monetary management by introducing a competitive financial market which will replace the prevailing system of administered credit operating on the basis of interest rates determined by the central bank; the interest rates under the new system, however, will remain flexible. The Bangladesh Bank Order 1972 has been amended so as to enable the Bangladesh Bank to issue its own credit



instruments which will make its role more effective in management of the monetary system. A Loan's Court Law has been introduced which will facilitate loan recovery. Under this law, courts will be established in the districts according to needs

37. It is expected that the reforms will generate conditions for competitive behaviour in banking and other sectors of the economy which will further strengthen the private sector's participation in the development process. However, efforts will be made to ensure that the banks and other financial institutions perform their socio-economic roles while managing their operations on a commercial basis.

#### Foreign Exchange Reserve

Mr. Speaker, Sir,

38. The balance of payments and foreign exchange reserve have been discussed quite often during the current year. As of April 30, 1990, foreign exchange reserve stood at \$451 million, which is much smaller than the reserve at \$913 million as of June 30, 1989. There is a number of reasons which explains the fall in the reserve position compared to last year. For 1989-90, import payments were estimated at \$3500 million, a substantial part of which was to be financed by aid. However, there was delay in disbursement of concessional loans and grants which had been pledged and committed; as a result, the existing reserve was used for import payments in place of aid as expected. Had the disbursement of aid been received, the reserve would not have depleted to such a level. Moreover, during the first nine months of the current year payments on account of food import financed from cash foreign exchange reserve and the wage earner's market exceeded similar payments during the corresponding period of the last year by \$90 million. Besides, we have not borrowed any amount from the International Monetary Fund during the current year. The foreign exchange reserve during this year is small compared to that of last year for the above reasons.

39. It may be recalled that during this decade the foreign exchange reserve reached the lowest level of \$122 million in 1982-83. The reserve position improved thereafter on account of borrowings from the International Monetary Fund and concessional loans and grants received from external sources. The weakness in our balance of payments position is embedded structurally in the imbalance between import and export. It may be mentioned in this context that domestic credit also expanded during the current year; if imports were not increased by depletion of the reserve, the pressure on prices would have been much worse.

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[Text] 40. A number of steps have already been taken for stabilizing the foreign exchange reserve position. Some of them deserve special mention, such as incentives

provided for increasing export of certain products and introduction of margin for opening letters of credit for import.

41. Export for the past nine months of this year is estimated at \$1159 million which is 20.7 percent higher than export during the corresponding period last year. For the same period import payment is estimated at \$2713 million which is 15 percent higher than import payments during the corresponding period last year. According to the latest projection, the deficit on current account may exceed \$2000 million at the end of the fiscal year, notwithstanding the higher rate of export growth. This deficit is expected to be met by increased income from other sources and retroactive replenishment out of committed external assistance. We have already used our access to the Structural Adjustment Facility of the International Monetary Fund. In view of the satisfactory implementation of the earlier structural adjustment programme, we are currently discussing arrangements under the Enhanced Structural Adjustment Facility, on the conclusion of which it will be possible to draw from the International Monetary Fund. Besides, foreign exchange reserve position will improve with the inflow of external resources committed by our partners in development.

#### Money Supply, Inflation and Government Finance

Mr. Speaker, Sir,

42. A number of critical problems were observed during the current year with regard to government finance and monetary and credit management. Government revenues fell short of the budget estimates. But it was not possible to stall government expenditure immediately nor was it considered prudent to apply such contractionary measures all on a sudden. The Aman harvest was much larger than expected; additional expenditure for domestic procurement was inevitable for ensuring remunerative price to the producers. It was not possible to reduce expenditure for the normal operations of the Government and the Annual Development Programme without a proper scrutiny. For all these reasons the Government had to take recourse to large borrowing from the banking system. The Government, however, took steps for containing current or revenue expenditures. The Annual Development Programme was also subject to scrutiny; the outlay has been reduced by adjustment within and among projects and elimination of projects with low priority.

43. Credit expanded for both public sector and private sector. The supply of broad money increased as a result of expansion of credit to the Government, the public sector and the private sector. During the first six months of 1989-90, overall credit expanded by 22.9 percent and broad money by 18.7 percent compared to the last year. The Bangladesh Bank has already taken steps to control expansion of credit and broad money; margin requirement for letter of credit and restrictions on rediscounting



facilities are among these measures. Control of government expenditure reduction of borrowing by the Government and introduction of better discipline with regard to commercial loans made by the banks are expected to bring supply of broad money down to a reasonable level.

44. Price increase in 1988-89 was estimated at 8 percent; during the current year price increase is likely to be higher. Price increase was estimated at 10 percent on an annualised basis from July to December; after a slight fall (9.9 percent) during January and February, it rose again in March and April but has shown a downward trend since then. According to estimates for the year to May, price increase shall be below 10 percent during the current year. The expansion of credit and broad money supply stimulated demand which exerted upward pressure on prices. Unless credit and broad money supply are controlled, the trend of price increase is likely to continue through the next year. I have already referred to the measures taken by the Government for containing credit and money supply, which will be pursued during implementation of a medium term stabilization programme.

#### **Medium and Long Term Policies for Economic Management**

Mr. Speaker, Sir,

45. The budget and the Annual Development Programme are prepared for a period of one year only. But we should bear in mind that the annual budget and the development programme are primarily instruments for realisation of the medium and long term goals. From that point of view, I would like to throw some light on the basic principles underlying the medium and long term objectives of economic management. These principles are not inflexible or immutable; the strategy for their implementation are to be fashioned in the light of changing times and conditions.

46. The Government has pursued stabilization and structural adjustment policy for the last few years. This policy will have to be sustained in order to maintain a balance between aggregate demand and supply on the one hand and an effective management of the balance of payments situation on the other.

47. Sometimes stabilization policy has contractionary effects, whose burden is not equitably distributed among the members of the society. It has been observed from the experiences of many countries—particularly those of the developing countries—that the common people and the poor bear a disproportionately larger burden of economic contraction. It will be necessary, therefore, to take up programmes selectively for development of specified sectors and poverty alleviation.

48. The experience of the last few years shows that the current expenditure of the Government rose at a much faster rate than the growth of government revenues. As a result, investment in the public sector and development outlay did not increase as expected. Gross domestic

saving also stagnated below five percent of gross domestic product. The inevitable result is increasing dependence on external resources. Efforts need to be made for increasing the ratio of domestic savings and mobilisation of domestic resources. It may be mentioned here that a number of measures have been taken for improving customs and excise duty administration. It is expected that all these measures and reforms will make tax administration more efficient and efforts for domestic resource mobilization more successful.

49. Proper and efficient use of resources are absolutely necessary alongside increase of domestic saving and domestic resource mobilisation. Expenditures on account of administration and in unproductive sectors have to be controlled strictly. To this end an attempt has to be made to keep the manpower in the Government and the public sector at the minimum possible level and at the same time to improve their efficiency and productivity.

50. The industrial and commercial enterprises in the public sector can make a significant contribution to these efforts of the government. They can control cost of production through efficiency and productivity improvements and thus earn larger profits. The Government has already established a National Productivity Centre, which will provide assistance to both public and private sector industries. Its ultimate objective is to improve productivity in the economy as a whole and create—so to say—a 'National Productivity Culture.' The restructuring of public sector industrial and commercial undertakings is also under consideration of the Government.

51. One of the major objective of the Government policies is expansion and improvement of the private sector, which also has to increase its efficiency. From time to time, the Government has provided special measures to address their problems, for example—deferring repayment of loan and its segregation, remission of interest, revision of amortization for longer periods, and so on. These measures may help them temporarily but cannot bring about any long term benefits unless efficiency and productivity improvements take place. On the other hand, these measures, to a great extent, have passed on the burden of inefficiency and losses of the private sector to the Government and the financial institutions. Further, efficiency and productivity improvements are absolutely necessary for competitiveness in the world market.

52. It is necessary to build up an efficient institutional structure for financial intermediation for encouraging domestic saving and capital formation. I have already made references to the financial sector reforms; their proper implementation will remove financial repression and make it possible to establish a liberal and dynamic financial system. These reforms will introduce market determined interest rates, which will reduce the possibility of misallocation of resources to less productive sectors.

53. Losses in the public sector and budgetary subsidies to the public as well as private sector have to be reduced as fast and as far as possible. Subsidies encourage inefficient use of resources, discourage efforts for productivity improvements, and contribute to wastage. With a view to achieving optimum utilisation of scarce resources and eliminating wastage, efforts will have to be made for progressive reduction of subsidy and its eventual elimination.

54. I have already spoken about our dependence on external resources. Complementary domestic resources are necessary for absorption of concessional foreign loans and grants. Current and unproductive expenditures should be reduced in order to ensure adequate provision of complementary domestic resources for absorption of investments financed by foreign resources. External resources also should be used more efficiently.

55. A flexible and effective exchange rate is necessary for competitiveness in the world market and for maintaining balance in the external sector; such an exchange rate policy shall be pursued next year also as in the past.

56. Various steps have been taken for attracting direct foreign investment. An efficient and stable macroeconomic policy is a necessary precondition for this. Control of growth of money supply and price increase, current account deficits of the external sector and budgetary deficits at reasonable levels on the one hand, and maintenance of equilibrium between labour productivity and wage on the other, are among the elements of a sound macroeconomic policy.

57. Budgetary deficits and current account deficits are to be maintained within reasonable limits. Budgetary deficits tend to create upward pressure on prices, which is a disincentive for savings and investment. On the other hand, large current account deficits will make domestic currency weaker relative to foreign currency which puts further pressure on prices.

58. Changes in the administrative structures and procedures may be necessary for improving our capability for design of appropriate policy, its implementation and management of government finance and the economy. The Ministry of Planning and the Ministry of Finance play important roles in these areas. The Ministry of Finance is now examining a number of measures for making management of the government finance more efficient. I may mention here some of the important measures now under consideration. The system for monitoring government revenues and expenditure is being examined, which is necessary for collecting data at different intervals during the year in the light of which the Government may determine appropriate interventions. The procedures for budget preparation and the budget format, the government accounting system and the audit system are being examined to see to what extent they meet the needs of the times. On the basis of their outcome, necessary changes will be introduced with a view to establishing a more efficient management of

the government finances and better accountability. It is necessary also to establish consistency between macroeconomic policies and sectoral programmes. The changes will cover primarily the Ministry of Finance and the associated agencies.

#### 1989-90 Revised Budget and 1990-91 Budget Proposals

Mr. Speaker, Sir,

59. I have referred to our current economic perspective our future aspirations, and policies necessary for realisation of these goals. The revised estimates for 1989-90 and the budget estimates for 1990-91 have been prepared in the light of these perspectives and policies. I propose now with your permission, to submit for the consideration of the Sangshad the revised estimates and the estimates for the next year.

60. The budget for 1989-90 as approved included revenues estimated at Tk. 7904.10 crores and the allocations for revenue expenditure and Annual Development Programme of Taka 6900 crores and Tk. 5803.03 crores respectively. The latest estimates of revenue receipts are Tk. 6778.22 crores. In view of the reduced level of receipts, the revised budget proposes a smaller size of revenue expenditure as well as a smaller annual development programme.

61. For 1989-90 budget receipts from taxes and other sources were estimated at Tk. 7180.53 crores on the existing basis; new measures were estimated to yield an additional amount of Tk. 723.57 crores. The additional yield from the new measures were estimated as follows: Taka 609.14 crores from taxes under the control of the National Board of Revenue; Tk. 37.27 crores from taxes outside the control of the National Board of Revenue; Tk. 77.16 crores from nontax sources. The comparative position of the estimates of receipts in the original budget and revised budget is shown below: (1) Tk. 5352.36 crores in place of Tk. 5860.09 crores from taxes under the control of the National Board of Revenue; (2) Tk. 429.00 crores in place of Tk. 402.27 crores from taxes outside control of the National Board of Revenue; (3) Tk. 996.86 crores in place of Tk. 1641.74 crores from non-tax sources. According to the revised estimates the shortfalls under different heads of receipts add up to Tk. 1125.88 crores—i.e. the revised estimated of receipts is about 14 percent lower.

Mr. Speaker, Sir,

62. Though the revised estimates of receipts are lower, they are still higher than the receipts in 1988-89. The revised budget of 1988-89 included a total receipt of Tk. 5822.18 crores; the revised estimates proposed for 1989-90 at Tk. 6778.22 crores is 16.6 percent higher. The revised estimates of receipts from all heads are higher than the revised estimates for 1988-89. (1) Tk. 5352.36 crores estimated from taxes under the control of the National Board of Revenue compared to Tk. 4557.70 crores shows an increase of more than 17 percent. (2) Tk. 429 crores estimated from taxes outside the control of

the National Board of Revenue compared to Tk. 338 crores shows an increase of Taka 91 crores, i.e. nearly 27 percent increase. (3) Tk. 996.86 crores estimated from non-tax sources compared with Tk. 926.48 crores shows an increase of Tk. 70.38, i.e. 7.6 percent. Strong measures for domestic resource mobilisation were taken during the current year and it was expected that the Government's receipts would increase substantially. The estimates turned out to be too optimistic in practice. Nevertheless, our efforts for domestic resource mobilisation have to be sustained.

Mr. Speaker, Sir,

63. The revised budget estimates propose a revenue expenditure of Tk. 6740.00 crores, which is Tk. 160.00 crores or 2.3 percent less than the original budget. It may be recalled that the original estimates included Tk. 768.12 crores under the unexpected head for meeting the additional expenditures on account of enhanced grants to private schools, introduction of government pay scales for some categories of employees in private schools, additional pay and allowances given to the government officials and staff, and other contingent expenditures. Expenditures on all heads have increased in the revised estimates but the total increase is less than Tk. 768.12 crores. As a result, the total expenditure in the revised estimate is lower than the original estimate, despite the increase in all heads of expenditure and inclusion of an advance additional festival bonus in the current year's revised budget.

64. The size of the Annual Development Programme also has been reduced. The size of the Annual Development Programme in 1989-90 original estimate was Tk. 5803.02 crores the revised outlay on the Annual Development Programme is Tk. 5102.76 crores. Selffinancing projects by a number of autonomous bodies totalling Tk. 200 crores have been included in the revised Annual Development Programme. The revenue Budget is estimated to produce a surplus of Tk. 38.22 crores but adjusting for the shortfall in the capital account and the food account deficit the total financing gap for the Annual Development Programme is estimated at Tk. 682.80 crores, which will have to be provided through deficit financing.

Mr. Speaker, Sir,

65. With your permission, I would now submit in brief the budget proposal for 1990-91. The total receipt for the next year is estimated at Tk. 7562.78 crores. The estimated receipts from the different sources are as follows: (1) Tk. 5852.00 crores from taxes under the control of the National Board of Revenue; (2) Tk. 448 crores from the taxes outside the control of the National Board of Revenue; (3) Tk. 1262.78 crores from non-tax sources. The estimated receipt from non-tax sources for the next year is still high. In order to realise the higher estimated receipt from non-tax sources, the concerned institutions will have to take a number of steps including higher profit through more efficient operations, reduction of

losses, correct pricing for products and services sold and rational control over expenditure. On the whole, the estimated receipt for the next year is 11.6 percent higher than the receipt proposed in 1989-90 revised budget.

66. It is pertinent to mention here the need for improving the operational efficiency of the railway. The losses of the railway create a large burden on Government's resources. Since 1972-73, the railways made profits only in three years. During the current year, the railway's loss is estimated at Tk. 139.38 crores. Employment of excess manpower, welfare expenditures for the railway employees and the members of their families including expenditures on health care and education, operation of non-profitable routes, reduction in goods traffic, ticketless travelling, etc., account for the ever-increasing losses incurred by the railway. In order to avoid problems of financing operational expenditure, the Government, on a purely temporary basis, has exempted the railway for the last few years from the obligation to pay return at a fixed rate on government investments in the railway and deduction of depreciation fund. For overall improvement of government's resource position, it is necessary that the railway administration improves its efficiency, reduces loss and gradually becomes a profitable organisation. The Government is considering a Railway Recovery Programme to achieve this transformation. A number of our partners in development including the Asian Development Bank have already expressed their interest to assist the Government in the recovery programme. If the railway can avoid losses and earn profit, it will provide significant relief to the Government's difficult resource position.

Mr. Speaker, Sir,

67. The 1990-91 budget estimates propose a total revenue expenditure of Tk. 7,300.00 crores, which is Tk. 560 crores or 8 percent higher than revenue expenditure proposed in 1989-90 revised budget. Estimated expenditure is 3.5 percent lower than estimated receipt.

Mr. Speaker, Sir,

68. With your permission I will mention some of the important features of the budget proposal for 1990-91. (1) The highest allocation has been proposed for education, which is Tk. 91.26 crores larger than the amount proposed in 1989-90 revised budget. The expenditure for compulsory primary education and remission of fees for girl students up to class VIII studying in schools outside municipal areas, which have already been announced by the Hon'ble President, will be met from the enhanced allocation. For compulsory universal primary education, there is a lump provision of Tk. 100 crores, which would be spent on the basis of a well-designed programme and in accordance with the government rules. (2) Efforts have been made to contain increase of revenue expenditure below the rate of price increase. In the absence of control over Government's current expenditure, deficit financing by the Government can exacerbate the trend of inflation. (3) The amount of subsidy on account of food



has been reduced below the level of the proposed 1989-90 revised budget. (4) Allocation for health and family planning, maintenance of road, human resources development and other social sectors have been increased.

69. If control over revenue expenditure cannot generate more resources for development outlay for the Fourth Five Year Plan period beginning next year, implementation of development programme will slow down. Reduction of administrative and unproductive expenditure, improving administrative efficiency through reorganisation and procedural innovations, elimination of wasteful expenditure and misuse of government resources, productivity gains and higher profits in the public sector, are among the necessary preconditions for attaining this objective.

Mr. Speaker, Sir,

70. A realistic Annual Development Programme has been proposed for 1990-91, keeping in view the resource constraints. The size of the proposed Annual Development Programme is Tk. 5668.00 crores. External assistance will provide Tk. 5120.00 crores, which is just over 90 percent of the total expenditure.

Some of the public sector enterprises will spend Tk. 325 crores on self-financed projects. The revenue budget will produce an estimated surplus of Tk. 262.78 crores. However, adjusting for shortfall on capital account and deficit of food operations, the total financing gap for the Annual Development Programme is estimated at Tk. 596.73 crores. Additional resources through new measures will be required to meet the domestic resource gap. In order that the Annual Development Programme of 1990-91 does not have to be reduced towards the end of the year as in previous years, all efforts will be taken to contain current expenditure at the estimated level. Additional resources raised through improved measures will be utilised for the development programmes mainly.

71. The growth rate for 1990-91 is expected to be above five percent. Growth rates in different sectors are as follows: 3.5 percent in agriculture; 9.9 percent in industry; 12 percent in electricity and gas; 6.5 percent in transport and communications and 4.6 percent in the services sector including trade.

Mr. Speaker, Sir,

72. I have just stated that mobilization of additional resources would be necessary for implementing the Annual Development Programme. The measures for mobilizing the required amount of additional resources are the subject-matter of the second part of my speech.

[15 Jun, pp 3, 7, 8]

[Text] Mr. Speaker, Sir,

In the light of the guidance given by the Honourable President in his speech for the inaugural session of 1990 of the Fourth National Parliament for speeding up the

overall development and in the background of the socio-economic realities of the country, the Government is committed to improving the welfare of the people through implementation of broadbased programmes in priority areas, such as, compulsory primary education, health, family planning, poverty alleviation, flood control, transport and communications, along with strengthening of development activities in other sectors. In order to fulfil the growing needs of these development activities increased mobilization of domestic resources is essential. Our tax effort as measured by the tax—GDP [gross domestic product] ratio is very low and the scope for voluntary non-bank financing is also limited because of very low private saving rate. In view of this, the Government plans to increase public sector savings by increasing the revenue—GDP ratio by  $\frac{1}{2}$  or 1 percentage point annually.

2. The process of raising the revenue—GDP ratio would require curtailing the growth in present consumption; however, since increasing proportion of public sector resources will be directly or indirectly devoted to income generating activities for the poor in the budget, we firmly believe that the overall stance of the fiscal policy will be welfare augmenting for the underprivileged. Resource mobilization of this magnitude should not be made through the conventional means of raising the tax rates and excessive reliance on the taxation of imports. Thus, most new revenue measures should be in the form of broadening of the domestic tax base, reducing anomalies in the tax rates, and strengthening of the system of tax administration. We believe that the reforms which are being contemplated for implementation with regard to both customs and income tax system during the fiscal year and beyond, would make the tax system dynamic, reduce inconvenience of the tax payers, be stable with respect to tax base and efficient in terms of allocation of resources. This will provide adequate protection and incentives for industrialization.

Mr. Speaker, Sir,

3. Keeping these general objectives of mobilising domestic resources in view, I am now placing the major proposals relating to direct and indirect taxes.

#### Direct Taxes:

4. Among direct taxes, income tax is the principal source of our revenue. This year a good number of changes have been proposed in respect of income tax. The objectives of these changes are to widen the tax base, check tax evasion, encourage investment in industrialisation and to strengthen the role of income tax through administrative reorganisation.

Now I proceed to outline the tax proposals in brief.

#### Income Tax:

5. In view of increase in the cost of living, it is proposed to raise the exemption limit in respect of individual class of assessee from Tk. 36,000 to Tk.



40,000. In keeping with this measure, exemption limit of Registered Firms is also proposed to be raised from Tk. 36,000 to Tk. 40,000.

6. At present, there is no time-limit in the income tax law for giving decision by the National Board of Revenue on the applications seeking tax holiday. As a result, the concerned applicant-assessee have to remain in uncertainty for an indefinite period in respect of decision by the Board on this behalf. In order to obviate this difficulty, it is proposed to fix a time-limit of six months for giving decision by the Board on applications seeking tax holiday.

7. In respect of computing income from house property let out, the existing law provides for deductible allowance for repairs at one-sixth of the annual value of the property. But there is no such provision for allowing expenses for repairs in respect of self-occupied property. With a view to removing this discrimination as well as in the interest of justice, it is proposed to allow expenses for repairs at similar rate in respect of income from self-occupied property.

8. A "publicly traded company" pays income tax at a concessional rate of forty percent. In order to avail of this concessional tax rate, a company has to fulfil seven conditions specified in the law. Among these conditions, the one regarding the average ownership of the shares of the company being at least one for each taka 20 thousand of the paid-up capital and the other regarding declaration and distribution of at least ten percent, dividend to the shareholders of the company out of profits of the income year for which the assessment is to be made, are not possible to be complied with by many companies. As a result, they are being deprived of this facility of concessional tax rate. With a view to promoting industrial growth, it is proposed to withdraw these two conditions.

9. Under the existing law, in a case where two or more companies constitute an "association" or "consortium" with a view to carrying on a joint enterprise, such "association" or "consortium" is treated as an "association of persons" and is taxed accordingly. It is necessary to mention that the maximum rate of income tax applicable to a company is fifty-five percent, whereas the rate of tax applicable to such a joint enterprise constituted by more than one company is much lower than the rate applicable to a company. It is, therefore, proposed to make provision for treating such "association" or "consortium" as is constituted by two or more companies as a company.

10. In view of increase in prices, the value limit, for the purpose of initial depreciation allowance of motor vehicles not plying for hire and used for the purpose of business or profession of the assessee, is proposed to be raised from Tk. 3 lakh to Tk. 3 lakh and 50 thousand.

11. The five-year time-limit for exemption of income of residential house property up to Tk. 15 thousand ends on the 30th June, 1990. With a view to encouraging

construction of residential houses, it is proposed to extend this time-limit for a further period of five-years and to raise the ceiling of exemption from Tk. 15 thousand to Tk. 20 thousand.

12. According to income tax law, the ceiling of income for all classes of assessee in respect of advance payment of tax is Tk. 50 thousand. Since the total income of a company as well as a non-resident is entirely taxable, it is not logical to maintain a common monetary ceiling in respect of advance payment of tax for all classes of assessee. Hence, with a view to rationalising the law relating to advance payment of tax, it is proposed to fix this ceiling for a company at Tk. 20 thousand, for a non-resident at Tk. 5 thousand and for other assessee at Tk. 60 thousand.

13. The existing income tax law provides for imposition of surcharge at the rate of 15 percent of income tax payable on income. This surcharge is also applicable in respect of dividend income of a non-resident shareholder. With a view to encouraging foreign investment, it is proposed to withdraw this surcharge on dividend income of the non-resident shareholders.

14. Under the existing provisions of income tax law, a tax holiday industrial undertaking, depending on its location, has to either re-invest in the said undertaking or invest in the purchase of Government bonds at the rate of 5 percent, 15 percent and 30 percent, as the case may be, of the income exempted. With a view to simplifying the provision and raising resources, it is proposed to make provision for investing at least fifty percent of the exempted income of these industrial undertakings, irrespective of their location, in the purchase of Government bonds.

15. If an assessee submits a return under the existing self-assessment scheme and fulfils all the conditions laid down therein, it is mandatory on the part of income tax authority to accept such return. The tax authority does not have any statutory power to subsequently scrutinise whether correct income has been disclosed by the assessee in the returns accepted under this scheme. In order to ensure proper application of this scheme, it is proposed to make necessary provision for scrutiny of ten percent returns out of the returns accepted under this scheme for making assessment in appropriate cases.

16. Income ceiling under the self-assessment scheme is Tk. one lakh and 25 thousand. In order to gradually create an atmosphere of trust between the tax department and the assessee, it is necessary to broaden the scope of this scheme. Hence, the income ceiling under this scheme in respect of persons engaged in business or profession, other than new assessee, is proposed to be enhanced to Tk. 10 lakh.

17. The time-limit for special depreciation allowance on ships and fishing trawlers expires on the 30th June, 1990. In the backdrop of the importance of this sector it is proposed to extend this time-limit up to 30th June, 1995.

18. It is being observed that proper assessment in respect of professionals is not always possible through application of normal procedure of the existing income tax law. In the interest of revenue as well as with a view to facilitating quick disposal of cases, it is proposed to make appropriate provision for presumptive assessment in respect of such professionals. To prevent its arbitrary application, this law will contain provisions for appropriate checks and balances. Due to the provision of this law, the professionals will be kept outside the purview of self-assessment scheme.

19. At present, there are provisions for advance deduction or collection of tax at source in certain areas. It is necessary to expand the scope of deduction or collection of tax at source in order to widen the overall tax base. It is, therefore, proposed that,—

(a) Advance income tax at the rate of ten percent will be deducted at source on interest of saving deposits and fixed deposits maintained with banks.

(b) The existing provision for exempting interest on bank deposits up to Tk. 15 thousand will be withdrawn. Development surcharge leviable at the rate of 6 percent on bank interest will also be withdrawn.

(c) There will be deducted advance tax at source at the rate of ten percent on the commission payable by the insurance companies to their agents.

(d) Advance tax will be collected at the rate of 2.5 percent on the import value of all imported goods excepting capital machineries enjoying concessionary import duty and raw materials of the industries approved by the Board of Investment and the Bangladesh Small and Cottage Industries Corporation.

20. Under the Financial Sector Reforms undertaken by the Government, it is proposed to make provision for bad debt for commercial banks including the Bangladesh Krishi Bank and the Rajshahi Krishi Unnayan Bank at the rate of 4.5 percent of the total outstanding loan including interest thereon or the actual provision of the bad or doubtful debt including interest thereon, whichever is less, deductible under the income tax law. It may be mentioned that the proposed provision will remain in force for the assessment years 1990-91, 1991-92 and 1992-93 and the existing provision for bad debt for rural and agricultural loan will be merged with the proposed provision under the Financial Sector Reforms.

21. Under the existing law, it is mandatory on the part of an individual assessee to submit along with his return a statement of assets and liabilities, if his total income of the income year exceeds taka one lakh. This statement of assets and liabilities is very important for the purpose of computing correct income of this class of assesses. In order to bring more assesses within the purview of this provision, it is proposed to lower this ceiling from taka one lakh to taka forty thousand.

22. For the purpose of computation of capital gains arising from transfer of capital assets acquired through inheritance, gift or will, the "cost of acquisition of the capital asset" to the assessee, under the existing law, is taken to be the fair market value of the said asset, prevailing at the time the assessee became the owner of such asset through inheritance, gift or will, as the case may be. It is being observed that this provision is being used as a device for avoidance of tax. Hence, it is proposed to make appropriate provision for computing capital gains arising from transfer of capital asset acquired through inheritance, gift or will on the basis of fair market value of the capital asset prevailing at the date on which the said asset became the property of the previous owner.

23. If the capital gains are invested in such areas as are specified in the income tax law, capital gains so invested are exempt from tax. The areas of exemption in respect of capital gains are so wide that it erodes substantial revenue. Hence, in the interest of revenue, it is proposed to make appropriate provision for withdrawing exemption on capital gains arising from the transfer of capital assets on whose cost of acquisition investment allowance was previously allowed.

24. With a view to inducing foreign investment, it is proposed to make appropriate provision for exempting capital gains arising from the transfer of shares owned by non-residents.

25. A tendency is being noticed among the contractors, irrespective of their fiscal domicile, not to file income tax return in time, and this results in complication in assessment as well as collection of tax. Therefore, with a view to expediting assessment and collection of tax, it is proposed to make appropriate provision for registration of the contractors with the tax authority before any payment is made to them by the paying authority.

26. The existing income tax law provides for accepting a return if the return is found to be correct and complete by the tax authority. With a view to creating an atmosphere conducive to foreign investment in industrial and overall economic activities, it is proposed to make appropriate provision for accepting returns of the companies whose foreign shareholding is 50 percent or more. Such acceptance will be subject to the accounts of the company being audited by a chartered accountant and certified in a prescribed manner.

Mr. Speaker, Sir,

27. Now I am proposing special programme in respect of modification and reform of certain provisions and procedures regarding income tax. It is proposed that,—

(a) The present system of adjusting advance tax in the year following the year in which it is paid, will be replaced by the system of adjusting advance tax in the year it is paid.

(b) The process of allotting "National Tax Payers' Numbers" will be initiated in the coming financial year. It will be possible to identify the assessee and to widen the tax base through allocation of this number. It may be mentioned that among others, in respect of payment of bill exceeding taka 20 thousand in luxurious hotels or in the case of purchase of motor vehicles or urban land, the concerned payer or the purchaser will be required to indicate this number.

(c) Steps will be taken in the coming financial year for taxing the salary and allowances of government servants which will replace the existing system. However, measures will be taken to ensure that their real income from salary and allowances is not reduced.

(d) Appropriate measures for amending the provision for introducing conventional exemption limit in place of the filing threshold and the provision for investment allowance, taxability of employment-related expenses as well as dividend will be taken through the budget measures of the financial year 1991-92.

(e) A committee will be constituted to evaluate the results of the benefits enjoyed under the tax-holiday scheme and subsequent measures will be taken on the basis of the findings of this committee.

(f) A committee will be constituted to formulate a "Form" consistent with the income tax law for the purpose of submission of audit reports in the case of companies and professionals and, subsequent measures will be taken on the basis of the findings of this committee.

Mr. Speaker, Sir,

28. The necessity of strengthening the role of direct taxes in the coming years for augmenting mobilization of internal resources need not be repeated. With a view to realizing this objective, it is necessary to initiate a well-conceived plan. It may be mentioned that for augmenting revenue, only reform of the law is not adequate—it is also necessary to bring about reform in the administrative structure for proper application of the law. The reform program that will be carried out in the administrative structure of the income tax department in the coming financial year and the subsequent two years will include setting up of new tax offices in the newly created districts, bifurcation of the existing taxes offices, creation of the posts of Zonal Commissioners of Taxes and Commissioners (Appeals) as well as other administrative steps.

It is expected that the implementation of these administrative reforms will generate substantial dynamism in the tax administration paving the way for a more vigorous participation by income tax in the overall internal resource mobilization.

#### Wealth Tax:

29. The existing law on wealth tax requires an assessee to sign his wealth tax return himself. Various circumstances may prevent an assessee from doing so. Necessary amendment is, therefore, proposed in the Wealth Tax Act so that a person legally authorised by the assessee may sign the return on his behalf.

#### Gift Tax:

30. There has been a tendency among taxpayers to evade income tax ever since the repeal of the Gift Tax Act in 1985. Fictitious income tax returns are being submitted year after year with a view to transfer capital. This is causing huge loss of government revenue. It is, therefore, proposed to reintroduce the law on gift tax which will also necessitate some consequential amendments in the Income Tax Ordinance, 1984.

#### Indirect Taxes:

##### Import Duties and Sales Tax:

31. For the last few years, instead of using the Import Duty and Sales Tax tariffs only as a means for collection of revenue the Government has used these instruments for increased production of import substitute and exportable goods through industrialisation, encouragement of investments in industries; increase of agricultural production, creation of increased employment opportunities and also as a weapon for the prevention of smuggling. With these ends in view, and in the light of the liberal and dynamic industrial policy of the Government, the rates of import duty and sales tax on basic, intermediate and finished industrial raw materials used in industries, essential consumer and other goods, have been rationalised after detail examination. In addition to the continuation of the measures, already taken for the realisation of the above objectives, progressive steps have also been proposed in this budget, with a view to attracting increased investment in industrial sector and reduce industrial investment cost. In addition, in order to ensure social justice and to overcome the unfavourable balance of trade of the country—by discouraging the import of the items identified as unnecessary and luxury goods in the context of the socio-economic conditions of the country and also to remove the inconsistencies which have emerged in the industrial, agricultural and trading sectors due to the liberal tariff policy, adopted and followed over the last few years, some new proposals have been made in the present budget. On the basis of the above principles, I propose revision of the Import duty and Sales Tax tariffs as follows:—

(1) The magnitude of investible capital on capital machineries and its inability, unlike trading capital, to generate instant profit, are standing as one of the obstacles on the way of rapid industrialisation in the country. The industrial and trading communities and other conscious sections of the population have been demanding

total exemption of Development Surcharge and rationalisation of import duty on capital machineries. In consideration of the above, import duty on capital machineries chargeable at 2 ½ percent, 7 ½ percent and 15 percent on the basis of location of the industry, is proposed to be revised and fixed in all cases at 10 percent and Development Surcharge applicable to all capital machineries at 8 percent, is proposed to be totally exempted. Besides, industries, set up in the industrial area approved by the Bangladesh Small and Cottage Industries Corporation, industries exporting 70 percent or more of its produce and industries using a minimum of 70 percent of indigenous raw materials, will get refund, of the amount in excess of 7 ½ percent, paid at the time of importation after the industry has been set up and has gone into commercial production and on fulfilment of certain conditions. The existing facility of Sales Tax exemption will, however, continue in all cases.

(2) At present, sea going cargo vessels of 7000 DWT and above are subjected to Import duty and Development Surcharge at the rates of 2 ½ percent and 8 percent respectively. This sector has failed to attract local investment because of its being highly capital intensive and because the existing rates of Import duty and Development Surcharge is very high. As a result, mostly foreign vessels are used in the transportation of our import and export cargo. The country is spending a large amount of foreign exchange, paid as freight for the transportation of goods. In view of the above, to encourage local investment in this sector, the existing Import duty of 2 ½ percent and the Development Surcharge leviable at 8 percent are proposed to be totally exempted.

(3) As a result of various affirmative steps taken by the Government over the last few years, the local textile sector has expanded and developed appreciably. Locally produced fabrics is now capable of meeting the local demand. In addition, the quality of the fabrics has also improved. In the context of the prevailing conditions of the textile sector, the rates of Import duty and Sales Tax, now applicable to the raw materials and finished products of textiles are proposed to be revised as follows:

(a) The existing sales tax exemption on imported fabrics is proposed to be withdrawn. The import duty chargeable at 100 percent will, however, continue unchanged.

(b) Continuing the present import duty at 50 percent, the existing sales tax exemption on imported old clothings, is proposed to be withdrawn.

(c) At present Import duty and Sales Tax on cotton yarn are 20 percent and 15 percent respectively. In order to protect the local industries, the existing rate of sales tax on cotton yarn is proposed to be enhanced to 20 percent. The rate of Import duty will, however, remain unchanged.

(d) In keeping with the above proposals and with a view to harmonizing with the 20 percent import duty and 20 percent sales tax, leviable on synthetic yarn and artificial yarn, it is proposed to impose only 5 percent import duty

on raw cotton, synthetic and artificial staple fibre and filament and nylon chips which are now exempted from duty. The existing sales tax exemption will, however, continue.

(4) The importance of the engineering sector in the economic development of the country is immense. Small and medium sized Engineering industries in the country have expanded and developed over the past few years due to the liberal industrial and tariff policies, pursued by the Government. These local industries are now producing spare-parts of machineries of a quality comparable with any foreign goods. If further protection is given, these industries, would, it is expected, further expand and develop in the near future. With this aim in view, the following proposals are made:

(a) Keeping the presently applicable rate of Import duty of 50 percent on spare-parts of machineries unchanged the existing exemption of Sales Tax is proposed to be withdrawn.

(b) The present Import Duty of 50 percent leviable on parts used in automobile engines, is proposed to be enhanced to 100 percent. The existing Sales Tax of 20 percent will continue unchanged.

(c) Import Duty, leviable at 20 percent on parts of Marine Engines is proposed to be increased to 50 percent. Sales Tax, currently applicable at 20 percent, will continue.

(d) Many parts, used in Rail Engines are, at present locally manufactured. In order to protect the legitimate interests of these potential industries, it is proposed to increase the import duty from 20 percent to 50 percent and to continue the existing sales tax at 20 percent on such Rail engine parts which are locally manufactured.

(5) Prosperity of the country depends largely on the productivity of the agriculture sector which is recognised as the backbone of our economy. The following proposals are made for encouraging the agricultural production in the country:

(a) The present import duty of 50 percent on imported fruits is a disincentive to local production of fruits. Since relatively affluent class of the society is the major consumer of imported fruits, production and marketing of local fruits are seriously affected. In order to encourage the local horticulturists to increase their production, import duty, on all kinds of imported fruits, is proposed to be enhanced to 100 percent. The presently applicable sales tax of 20 percent will continue.

(b) Betelnut is one of the important traditional crops, produced in the southern districts of the country. Its local production is gradually decreasing due to the increased import of betelnuts. In order to encourage local farmers to produce betelnuts profitably, the present exemption of sales tax of 20 percent on imported



betelnuts is proposed to be discontinued. The current import duty chargeable at 100 percent, will remain unchanged.

(c) Imported raw rubber is presently chargeable to 20 percent import duty and 10 percent sales tax. This low duty and tax structure is hampering the marketing of raw rubber, produced for the last few years in the hill districts of the country. Therefore, to help the local producers to continue producing rubber on competitive basis, the existing import duty and sales tax, leviable on raw rubber are proposed to be increased to 30 percent and 20 percent respectively.

(d) As an incentive to agricultural production, engines for shallow tube-well and low lift pumps and power tillers, imported in completely built up or completely knocked down condition, are exempt from the whole of import duty and sales tax since 1988-89. In the coming year also, this facility will continue. Besides, insecticides used in agriculture, are also duty and tax free for a long time. This facility will also continue unchanged. In addition to the above facilities and in consideration of their use in agriculture, the import duty in excess of 15 percent and the whole of sales tax, leviable on some items, are exempt since 1981-82 financial year. As some of these goods have uses other than agriculture, the above concession is being misused. In order to stop this misuse, it is proposed to withdraw this concession of import duty and sales tax on items, which have uses other than in agriculture. Items, which are used exclusively in agriculture, will however, continue to enjoy the existing concessions.

(e) In order to protect the interests of the local agriculturists, it is proposed to impose 20 percent import duty on rice and wheat if imported by private importers. The existing sales tax, chargeable at 10 percent on privately imported rice and wheat will remain unchanged.

(6) With a view to encouraging local production in the Chemical sector, it is necessary to revise the rates of import duty and sales tax of a few imported goods and raw materials of a few locally made goods. Keeping this aim in view, it is proposed as follows:

(a) At present, facilities exist in the country for the production of rubber belt, belting and v-belt. Due to the existing 50 percent import duty and the exemption of whole of sales tax enjoyed by the imported belt and belting, the local industries, producing these items are facing uneven competition. Therefore, in order to ensure even competition between imported belt and belting and locally made belt and belting, it is proposed to withdraw the present exemption of sales tax and to continue the presently chargeable import duty of 50 percent unchanged.

(b) The present import duty of 30 percent and the sales tax, leviable at 10 percent on Alkyd Resin, PVA Resin and Urea Resin—used as raw materials in the Paint Industries, are discouraging the production of these items by the local industries. In the interest of local

industries, it is proposed to raise the sales tax to 20 percent from the existing 10 percent.

(c) In order to meet the crisis of shortage of writing and printing paper in the country, caused by the unexpected low production in the local industries, the import duty on writing and printing paper was reduced from 100 percent to 50 percent and sales tax, chargeable at 20 percent was totally exempted in the middle of the current financial year. As a result large quantity of paper has been imported. This has placed the local manufacturing industries in a disadvantageous position. Therefore, in order to protect the interests of the local industries manufacturing writing and printing paper, it is proposed to withdraw the present sales tax exemption facility. The present import duty at 50 percent will remain unchanged.

(d) The existing rate of 20 percent Import duty and total exemption of sales tax on grey portland cement is discouraging the local entrepreneurs from setting up cement manufacturing industries by importing duty and sales tax free clinker as raw materials. In order to encourage the local entrepreneurs in setting up cement industries, based on clinker, it is proposed to impose 10 percent sales tax instead of the present full exemption on imported cement. The existing import duty chargeable at 20 percent will continue unchanged.

(e) Compared to the 50 percent import duty and 20 percent sales tax, applicable on imported alum, the existing import duty of 10 percent and the exemption of sales tax on aluminium hydrate, as also the present full exemption of import duty and 10 percent sales tax on Bauxite—raw materials for the manufacture of alum, are considered to be very low. In order to ensure equitable competition between imported alums and locally made alums, it is proposed to impose 20 percent import duty instead of the existing import duty at 10 percent and 10 percent sales tax instead of the present full exemption, on aluminium hydrate and 20 percent import duty instead of the present full exemption on Bauxite. The currently applicable 10 percent sales tax on Bauxite will remain unchanged.

(f) In order to reduce the pressure on local forest resources, the import duty, chargeable at 150 percent on wood veneer, a raw material for local wood-tax industries, is proposed to be reduced to 50 percent. The existing sales tax at 20 percent will continue.

(g) Gypsum plaster, used in the manufacture of Bandage, is now locally produced. But the existing duty and tax structure, applicable on it at 10 percent and 20 percent, is considered to be anomalous in comparison to that of Gypsum Anhydrite, a raw material for the manufacture of Gypsum Plaster. In order to remove this anomaly, it is proposed to enhance the import duty of Gypsum Plaster to 50 percent from the present rate of 10 percent and to continue the existing 20 percent sales tax.

(7) With a view to developing the Electronics as an export oriented sector, special concession was given to

the imports by this sector in 1987-88 fiscal year. Three years' after this special facility was given necessity has arisen to revise the duty and tax-structures of this sector. With this end in view, following proposals are made:

(a) By revising the existing rate of 20 percent import duty only chargeable on a number of specified electronic parts, it is proposed to impose 20 percent import duty and 10 percent sales tax on such parts as are exclusively used in One-Band Radios and Televisions and 50 percent import duty and 20 percent sales tax on such parts as are locally manufactured and 30 percent import duty and 20 percent sales tax on other electronic parts.

(b) In order to protect the interests of the local assembling industries and in keeping with the above proposal, the import duty, chargeable at 50 percent on semi-knocked down imported Radio, Television and VCR/VCP is proposed to be increased to 100 percent and the existing rate of sales tax at 20 percent is proposed to be continued.

(c) At present, facilities exist in the country for the assembling of calculators. But the applicable 10 percent import duty and exemption of whole of sales tax on imported calculators is discouraging the local assemblers. In the interests of the local assembling industries, it is proposed to impose sales tax at 20 percent instead of the present full exemption and 50 percent import duty in place of existing 10 percent.

(d) With a view to helping the local Audio and Video Cassette Manufacturing develop into an export oriented industry, the import duty on its raw material—Magnetic Tape, chargeable at 50 percent, is proposed to be reduced to 30 percent. The existing sales tax at 20 percent will remain unchanged.

(e) Both completely built up and completely knocked down imported Disposable Cigarette Lighter are presently chargeable to 50 percent import duty and 20 percent sales tax. This same structure, applicable on both built up and knocked down Lighters, is affecting the interests of the local assembling industries. In consideration of this, it is proposed to increase the import duty of completely built up Cigarette Lighter, to 100 percent and to continue the existing 20 percent sales tax. The present 50 percent import duty and 20 percent sales tax on completely knocked down Cigarette Lighter will remain unchanged.

(8) At present, adequate facilities exist in the country for refining edible oil. Oil, refined in the local industries, is able to meet the full demand of the country. In the interest of the local industries and continuing the presently applicable rates of duty and sales tax on unrefined oil, it is proposed to increase the import duty of all kinds of refined edible oil from existing 50 percent to 100 percent and to continue the present 20 percent sales tax unchanged.

(9) Sports goods have been enjoying full import duty and sales tax exemption since long. Due to this full

exemption of duty and tax on sports goods, entrepreneurs do not feel encouraged to establish industries in this sector in spite of its immense potentials. In order to attract capital investment in this sector in the future, it is proposed to impose 10 percent import duty and 10 percent sales tax on all sports goods now exempt.

(10) The present 20 percent import duty, 20 percent sales tax and full exemption of Development Surcharge on imported salt in bulk packing is discouraging the local production of salt although it has big potential. To protect the legitimate interest of the local production it is proposed to enhance the present rate of 20 percent import duty to 30 percent and to withdraw the full exemption of Development Surcharge. Sales Tax will continue to be levied at 20 percent.

(11) Pilfer proof cap, used as bottle stopper, is now locally manufactured. As the import duty and sales tax rates on its raw materials is higher than that on imported caps, the local industries producing pilfer proof cap, are incurring loss. In the interest of the local industries, it is proposed to increase the existing 50 percent import duty, applicable on imported pilfer proof cap to 100 percent and to continue the present 20 percent sales tax.

(12) In order to encourage the education of science and research in educational and research institutions and industry, the import duty of 15 percent on some identified research and laboratory equipments and parts are proposed to be reduced to 2 1/2 percent and fully exempt these from sales tax.

(13) To impose the burden of tax on the more fortunate of the society, the existing import duty and sales tax on a few items are proposed to be revised as follows:

(a) The existing rates of import duty applicable at 50 percent, 100 percent, 150 percent and 300 percent respectively on completely built up motor cars of up to 850 c.c., 851 c.c. to 1000 c.c., 1001 c.c. to 1300 c.c. and 1301 c.c. and above respectively are proposed to be increased to 100 percent, 150 percent, 200 percent and 350 percent respectively. The existing sales tax at 20 percent on built up motor cars of all capacities will remain unchanged. The rates of import duty and sales tax on completely knocked down motor car of all cylinder capacities are also proposed to be revised on the same basis.

(b) The rates of import duty of 20 percent and 50 percent and sales tax of 10 percent and 20 percent respectively on completely built up petrol operated jeep and pick-up and diesel operated jeep and pick-up are proposed to be revised and fixed at 100 percent import duty and 20 percent sales tax on petrol and diesel operated jeep and pick-up of up to 2000 c.c. and 200 percent import duty and 20 percent sales tax on petrol and diesel operated jeep and pick-up have 2001 and above c.c. respectively.

(c) Import duty, chargeable at 10 percent on completely knocked down jeep and pick-up is proposed to be revised

and fixed at 50 percent on completely knocked down jeep and pick-up of up to 2000 c.c. and at 100 percent on jeep and pick-up having 2001 and above c.c., respectively. The existing sales tax exemption at 20 percent applicable on CKD jeep and pick-up of all c.c. is proposed to be continued.

(d) The import duty of 50 percent on completely built up microbus and of 20 percent on completely knocked down microbus respectively are proposed to be increased to 100 percent and 50 percent respectively. The existing sales tax of 20 percent on built up microbus will remain unchanged and present 20 percent sales tax leviable on CKD microbus is proposed to be fully exempted. It may be mentioned that the existing concession of import duty and sales tax, applicable on public transportation vehicles such as bus, minibus will continue in the next year also.

(e) The import duty of 50 percent on completely built up and completely knocked down imported airconditioners and aircoolers having above 3 brake horse powers, is proposed to be increased to 100 percent. It is also proposed to continue 20 percent sales tax, leviable on completely built up airconditioners and aircoolers and to exempt the whole of 20 percent sales tax, leviable on completely knocked down airconditioners and aircoolers. For the prevention of misuse, airconditioners and aircoolers of up to 10 brake horse power, is proposed to be withdrawn from the concessionary notification of capital machinery.

(f) It is proposed to increase the existing import duty chargeable at 50 percent on white cement to 100 percent. Sales tax will continue to be charged at 10 percent.

(14) Facilities exist in the country for manufacture of base metal caps, a raw material for the manufacture of electric bulbs. In order to encourage the local industries producing base metal caps, the import duty of 100 percent on black glass, a raw material of base metal caps, is proposed to be reduced to 30 percent. The currently chargeable sales tax of 20 percent will, however, remain unchanged.

(15) Glass bottles are produced abundantly by the local industries at present. In order to protect the legitimate interests of the local industries, the existing import duties leviable on glass bottles including amber glass bottles are proposed to be revised and fixed at 150 percent. Sales Tax currently applicable at 20 percent on all kinds of glass bottles will continue unchanged.

(16) Imported sugar is currently chargeable to 50 percent import duty and 20 percent sales tax. In the interest of local sugar-cane producers and sugar manufacturing industries, this rate is proposed to be enhanced to 100 percent. However, the existing sales tax of 20 percent is proposed to be totally exempted.

(17) In order to rationalize the existing duties and taxes and to control import in excess of the requirement

of the country, import duty and sales tax rates of some items are proposed to be revised as follows:

(a) Consistent with the import duty rates applicable on most other basic raw materials, the import duty of 2 ½ percent chargeable on citric acid is proposed to be enhanced to 20 percent and the existing sales tax exemption at 20 percent is proposed to be continued. On the same consideration, the import duty, chargeable at 10 percent on sulphur is proposed to be increased to 20 percent and the existing 20 percent sales tax exemption is also proposed to be continued.

(b) Keeping the existing exemption of 20 percent sales tax unabated for the import made by the cement manufacturing industries, and also continuing the present import duty at 20 percent unchanged in all cases of import, it is proposed to impose sales tax at 10 percent on limestone when imported by importers other than a cement manufacturer.

(c) Continuing the existing import duty at 20 percent unchanged it is proposed to increase the present 10 percent sales tax to 15 percent on M.S. sheet of thickness up to 2mm. In keeping with the above proposal and to protect the interests of the local G.P. and C.I. sheet manufacturing industries the present import duty of 30 percent and sales tax at 20 percent leviable on G.P. sheet are proposed to be fixed at 50 percent and 10 percent respectively and the existing 10 percent sales tax, applicable on imported C.I. sheet is proposed to be enhanced to 20 percent. The existing rate of 50 percent import duty on C.I. sheet will continue unchanged.

(d) Continuing the present 20 percent import duty, leviable on M.S. strips and M.S. sheet imported by G.I. and A.P.I. pipe manufacturing industries, the presently applicable sales tax of 10 percent is proposed to be raised to 15 percent.

(e) The presently applicable 10 percent import duty, leviable on silicon sheet is proposed to be increased to 20 percent and instead of the existing exemption of sales tax, it is proposed to reimpose 20 percent sales tax on it.

(f) Import duty of 2 ½ percent is proposed to be levied on medical and surgical instruments and X-ray films which are presently exempt. The existing sales tax exemption is proposed to be continued. Similarly wood and timber and mould and dies, presently exempt from any import duty are proposed to be made dutiable at 10 percent. The existing sales tax exemption will, however, continue.

(g) Non-agricultural insecticides, disinfectants, rat poison and similar goods imported in bulk packing are proposed to be subjected to 10 percent import duty instead of the present full exemption. The existing exemption of the whole of sales tax, will however, continue unchanged.

(h) The import duty leviable at 100 percent on Fountain pen is proposed to be reduced to 50 percent. The import duty of 30 percent leviable on parts and components of



watch is also proposed to be enhanced to 50 percent in order to bring this at par with that leviable on watches. The existing sales tax, chargeable at 20 percent on both the items are proposed to be continued.

(i) Antibiotics, used as raw materials in the preparation of medicines, is, at present, subject to 20 percent sales tax and no import duty. It is proposed to rationalise these rates and impose 10 percent import duty with no sales tax.

(j) It is proposed to enhance the presently applicable 20 percent import duty on crude olive oil to 50 percent and to continue the existing 20 percent sales tax unabated.

(k) The import duty and sales tax, chargeable at different rates on various synthetic resins including PVC resin, Thermoplastic, Melamine and Phenolic moulding compound are proposed to be revised and fixed at a uniform rate of 30 percent import duty and 20 percent sales tax on all the items.

(l) Continuing the existing exemption of 20 percent sales tax unchanged, it is proposed to impose import duty at the rate of 10 percent on Auto-rickshaw engine of up to 125 cc. which is now fully exempt from import duty.

(m) Revising the presently applicable 2 ½ percent import duty on electric generating sets, it is proposed to impose import duty of 10 percent and 5 percent respectively on electric generating sets of up to 10KVA and electric generating sets above 10KVA respectively. The existing exemption of 20 percent sales tax, applicable on electric generating sets of all capacities will continue. Continuing the presently chargeable sales tax at 20 percent on A.C. generator (without engine) unchanged, it is also proposed to impose 5 percent import duty on it instead of the existing 2 ½ percent.

(n) With a view to protecting the interests of the local manufacturing industries, it is proposed to withdraw the present exemption of Import duty and Sales Tax on completely knocked down imported three wheelers (Autorickshaw) without engine and to impose import duty at 50 percent and sales tax at 20 percent.

(o) It is proposed to revise the import duty chargeable at 20 percent, and full exemption of Sales Tax on completely built up imported lift and to fix Import duty at 50 percent and sales tax at 20 percent on completely built up lift and Import duty at 20 percent and Sales Tax at 10 percent on completely knocked down imported lift.

(p) Import duty of 10 percent, Sales Tax of 10 percent and a Regulatory duty of 5 percent are chargeable at present on milk powder imported in retail packing up to 2.5 kg. This will continue in the next year.

(q) Regulatory duty chargeable at present on shoe-upper and bicycle rim will continue in the next year.

(18) Dutiable items imported in excess of the duty-free allowances under different Baggage Rules, are, at present chargeable to import duty at different rates and

exempted from the whole of sales tax. These items, when commercially imported are subject to higher rates of import duty and sales tax. As a result allowances under the Baggage Rules, are being misused. Government is also deprived of due revenue. In these circumstances, it is proposed to impose sales tax at 20 percent and to levy import duty uniformly at 50 percent (excluding those items, the normal rate of import duty on which is below 50 percent) on all dutiable items, under all kinds of Baggage Rules. In order to facilitate earning of foreign exchange, dutiable items purchased from the "Duty-Free-Shop" of the Bangladesh Parjaton Corporation, will be exempt from 20 percent Sales Tax and will be subject to 50 percent Import duty only.

(19) For quickening the assessment of imported goods and simultaneously for preventing the evasion of revenue through underinvoicing, the values of the imported goods, subject to tariff values, are proposed to be refixed in line with the prevailing international market prices. Besides, fixation of tariff values on some new items in keeping with the international market prices, is also proposed. The tariff values fixed will be considered as the lowest assessable value. In cases the invoice value is higher than the tariff value, customs duty and taxes will be realized on this basis of such invoice value. With this end in view, necessary amendment of section 25(7) of the Customs Act, 1969 is proposed.

32. Efforts to streamline the procedure of collection of excise duty and to rationalise the duty structure shall continue in this financial year. With that end in view proposals have been made to change the rate of duty on certain items and to impose excise duty on some new items. Now I am presenting the proposals relating to excise duty:—

(a) The existing rate of duty on sugar is 10 percent on the tariff value of taka 1,900 per 100 Kg. The duty paid value of sugar on the above basis is much lower than the market price. In the circumstances, it is proposed to raise the tariff value of sugar from taka 1,900 to taka 2,200 per 100 Kg. The rate of excise duty on sugar is comparatively low. In view of this, to raise more revenue, it is proposed to enhance the rate of excise duty of sugar from 10 percent to 20 percent.

(b) Beverage is mostly consumed by the affluent section of people. As such, the capacity duty on beverage per filler machine per year is proposed to be raised from taka 2.50 crore to taka 3.12 crore in Dhaka Division, from taka 2 crore to taka 2.50 crore in Chittagong Division and from taka 1.50 crore to taka 1.88 crore in Khulna and Rajshahi Divisions.

(c) Presently the excise duty-paid ex-factory value of locally produced cement is comparatively lower than the imported value of cement. Considering this and to generate additional revenue, it is proposed to raise the rate of excise duty on cement from taka 203 to taka 400 per metric ton.



(d) The existing rate of excise duty on toothpaste and shaving cream is 10 percent on the retail price. As it is mostly used by the well-to-do people, the excise duty on these two items is proposed to be raised to 15 percent.

(e) The prevailing rate of excise duty is 5 percent on the basis of retail price on laundry soap and 10 percent on other soap and detergents. In order to rationalise the rate of excise duty on soaps, it is proposed to raise the excise duty on laundry soaps to 10 percent on the retail price.

(f) Radio is the principal medium of mass-communication. To give relief to the lower income group of the society one-band radio has been exempted from excise duty in the month of December, 1989. With a view to generating additional revenue, it is proposed to raise excise duty on radio of other bands except one-band from 10 percent to 20 percent on the retail price.

(g) At present, excise duty on black and white and colour television is realised at different rates depending on the size of the screen which comes to 15 percent of the market value. Television is mostly used by the rich people of the society. Therefore, it is proposed to enhance the rate of excise duty at different rates depending on the size of the screen which comes to 20 percent if calculated on the market price.

(h) At present, excise duty on electric fans is realised at different specific rates depending on their size. Considering that electric fan is mostly used by the well-to-do people, it is proposed to increase the specific rates of excise duty on this item on different sizes. The present and proposed duty rates have been shown at Annexure 'C'.

(i) The existing different specific rates of excise duty on petroleum products are much lower than international standard. Considering this, it is proposed to raise the specific rates of excise duty on petroleum products. Due to this increase of excise duty, the price of petroleum products will increase slightly. The present and proposed duty rates have been shown at Annexure 'C'.

(j) It is proposed to raise the excise duty on mild steel products from 5 percent to 10 percent on the tariff value. The tariff value of G.P. sheet is proposed to be increased from Taka 15,000 to Taka 16,000 and in case of other M.S. products from Taka 10,500 to Taka 12,000 in conformity with the market value.

Presently there is a levy of excise duty on the tariff value of G.P. sheet, while C.I. sheet is exempted from duty. G.P. sheet is an intermediate product in the manufacturing process of C.I. sheet. Considering this it is proposed to allow clearance of G.P. sheet without payment of duty where G.P. sheet will be used as an intermediate product for manufacturing C.I. sheet and to levy excise duty at the rate of 10 percent on C.I. sheet and to fix the tariff value of it at the rate of Tk. 16,000 per metric ton.

(k) It is proposed to increase excise duty from 10 percent *ad valorem* to 15 percent *ad valorem* on saintary wares and glazed tiles.

(l) It is proposed to raise excise duty on car, mini-bus, station-wagon, land-rover, van and pick-up from 10 percent *ad valorem* to 15 percent *ad valorem*. The rate of excise duty on jeep, motor-cycle and two wheeler motor-scooter is proposed to be increased to 15 percent *ad valorem* from 5 percent *ad valorem*.

(m) Bus, truck, lorry and their chassis are enjoying duty exemption since 1986-87. Considering the expansion of transport sector by this time, it is proposed to impose excise duty again at the rate of 10 percent *ad valorem*.

(n) It is proposed to enhance excise duty of 5 percent on the retail price of liquid soap to 10 percent and on metal container, packing materials made from paper and paper board from 5 percent *ad valorem* to 10 percent *ad valorem*. Excise duty on antiseptic, disinfectant, insecticide, pesticide and germicide which are not used in agriculture, is proposed to be enhanced from 5 percent to 10 percent. Due to this increase of duty, there will be no adverse effect on the agricultural production as the items used in agriculture have been kept out of enhancement.

(o) The existing rate of excise duty on plastic bag is 15 percent *ad valorem*. It is proposed to exempt plastic bag to be used as liner in the duty-paid jute bag for the purpose of packing fertilizer.

(p) The existing rate of excise duty on transmission, conveyor and elevator belt/belting is 25 percent since 1986-87. Due to high rate of excise duty the item is facing uneven competition from the imported ones. Considering this, it is proposed to reduce the rate of excise duty on these items from 25 percent to 20 percent.

(q) The price of natural gas at the consumer level is very low compared to other fuels. Huge amount of money is being invested every year to increase the production and distribution of gas. Therefore, in order to bring its price to the economic level, it is proposed to increase the rate of excise duty of gas supplied for generation of electricity, for industrial, commercial and domestic purposes by about 11 percent. The rate of duty on gas supplied to the tea-gardens and supplied for the production of fertilizer will remain unchanged. The enhanced rate of excise duty on gas will be effective from 1st July, 1990.

(r) The existing rate of excise duty on bank-cheque is 25 poisha per cheque. It is proposed to enhance the rate to Taka 1 per cheque.

(s) There is no excise duty at present on edible oil. As this is an important item, it is proposed to levy excise duty at a rate of 5 percent *ad valorem* on edible oil produced mechanically by oil mills and refineries.

(t) V.C.R. and V.C.P. are items used by the affluent section of people. No excise duty has been levied till now on these items assembled locally. Consequently this

sector has achieved considerable expansion in the meantime. For generating additional revenue it is proposed to levy excise duty on locally assembled V.C.R. and V.C.P. at the rate of 15 percent *ad valorem*.

(u) It is proposed to raise the excise duty on services rendered by the scheduled banks to the holders of deposit accounts at the rate of Taka 100 per year per deposit account from the existing rate of Taka 10 per year per deposit account.

(v) Services rendered by banks, development financial institutions, non-banking financial institutions, investment corporation and leasing companies in the shape of disbursement of loans and investments made under Islamic principles have been identified as an expanding sector of the economy. It is, therefore, proposed to levy excise duty at the rate of 1 percent on loan disbursed and investment made. But the loan disbursed or investment made in the agricultural, industrial and export sectors will enjoy exemption of duty. The excise duty on loans and investments will be effective from 1st July, 1990.

(w) Domestic telephone and teleprinter services are enjoying duty exemption, though excise duty at the rate of 10 percent on the charges of overseas telephone and teleprinter services exists. The services of telephone and teleprinter are availed mostly by the rich people of the society and it is an organised sector. Taking these into consideration, it is proposed to impose excise duty on the charges of both domestic and overseas telephone and teleprinter services at the rate of 15 percent on the charges.

(x) There is no excise duty on the services rendered by Water and Sewerage Authority. To generate additional revenue it is proposed to levy excise duty on the services rendered by WASA at the rate of 15 percent on the charges. This duty will be effective from 1st July, 1990.

(y) Restaurants which do not serve alcoholic drinks nor exhibit any floor shows and whose gross sale does not exceed taka fifty thousand per month or taka six lakhs per year are at present, exempt from payment of any duties of excise. Some of the restaurants having gross sale in excess of the exemption limit are evading duty showing their sale below that limit. Under the circumstances, it is proposed to withdraw this exemption limit from restaurants situated in Dhaka, Chittagong and Khulna Metropolitan areas, and to allow them the opportunity of making payment of duty on self-assessment basis.

(z) As levy of excise duty has been proposed on four new goods and service items in the year 1990-91, it is proposed to levy Development Surcharge (DSC) at the rate of 10 percent on the excise duty of these items. DSC was not levied on an old excisable item 'other glass and glasswares' till date. It is proposed to levy DSC at the rate of 10 percent on the excise duty on 'other glass and glasswares'. Since it is proposed to enhance the excise duties on few other items, the rate of DSC is also

proposed to be enhanced proportionately on these items. The changed rates have been shown in the Finance bill, 1990.

(z, 1) A number of items have so long been enjoying the benefit of "cottage industry". Due to this benefit the large and medium-size manufacturing industries producing those items are facing uneven competition in the market. It is, therefore, proposed to withdraw the 'cottage industry' benefit from radio, television and electric fan sectors. It is also proposed not to extend any 'cottage industry' benefit on V.C.R., V.C.P. assembly and manufacture and edible oil produced mechanically by oil mills and refineries.

Mr. Speaker, Sir,

33. The Government is considering the introduction of Value Added Tax (VAT) in the country from January, 1991 with a view to increasing the realisation of revenue and simplifying the tax collection procedure. Initially VAT will replace the existing sales taxes on imported goods and the excise duties on domestically produced goods and services. In principle, all domestically produced goods except unprocessed agricultural goods and all imports except unprocessed agricultural goods will be brought under the operational purview of VAT.

34. This new tax system will relieve the manufacturers from the burden of payment of tax on raw materials. In addition to expanding the tax base with regard to the tax on domestically produced goods and services this system will reduce problems arising out of the 'cascading effect' and restrain the rise in costs of production. It is a transparent tax system in which the total tax content of any goods is clearly known. In view of the need to pay the tax in small amounts at different stages of production the tax burden at every stage will be relatively low. Under the circumstances, there will be less incentive to evade tax, resulting in increase in tax elasticity and rise in revenue.

35. Elaborate efforts are underway to implement this new tax system. In due course, VAT Bill will be placed for discussion in the Parliament. In order to give the people a complete understanding about this tax system, extensive publicity campaign will be launched before its introduction.

36. Apart from this in order to simplify the collection procedure of actual leviable duty and tax and to ensure speedy clearance of imported goods, the practicability of introduction of pre-shipment examination of goods as an alternative customs examination system is under study by the Government.

#### Other Taxes:

#### Advertisement Tax:

37. According to existing provisions the responsibility for collection of advertisement tax and depositing it in the government treasury lies with the proprietors or

management of the cinema halls, radio, television and the daily newspapers. But experience has shown that proprietors or management of some daily newspapers do not always deposit the tax thus collected into government treasury. It is proposed, therefore, that where the advertiser is the Government, or any local authority, or a statutory corporation or its units, or a public limited company, or a banking company, etc., the advertiser will himself deduct the tax at source and deposit the tax in the government treasury.

#### Electricity Duty:

38. The present rate of electricity duty is ten poisha per unit of electricity consumed. With a view to increase government revenue this rate is proposed to be raised to fifteen poisha per unit.

#### Stamp Duty:

39. Under Stamp Act, 1899, 65 items are chargeable to duty. During the last ten years, there has been no change in stamp duty rate except in one or two cases. Meanwhile, printing cost of the stamps has increased manifold. With a view to meeting the increased printing cost, bringing about an uniformity and simplification in the duty rate and raising government revenue in this sector, a proposal has been made to raise rate of duty on 12 items of Stamp Act, 1899 in the financial year 1990-91. Besides, in the case of transfer of property, the present 5 step duty schedule has caused tendencies to evade full payment of duty by splitting up a deed into deeds of lesser values. This leads also to accounting difficulties. So the necessity for simplification and rationalisation of the existing rate schedule has been felt. In view of this, proposals are being made to fix duty at two steps, namely, at the rate of 10 percent for deeds valued up to 1 lac taka and for deeds valued above 1 lac at the rate of 18 percent.

#### Annexure 'A'

##### Abstract of the Direct Tax Proposals

###### A. Revenue Effect of Income Tax Measures

1. Expansion of the "definition" of company .. (+) Tk. 5 crore
2. Restructuring of the monetary ceiling of advance payment of tax .. (+) Tk. 10 crore
3. Amendment of the self-assessment scheme .. (+) Tk. 1 crore
4. Provision of presumptive assessment in the case of professionals .. (+) Tk. 5 crore
5. Deduction of tax at source and withdrawal of exemption on bank interest .. (+) Tk. 25 crore
6. Deduction of tax at source on insurance commission .. (+) Tk. 5 crore

7. Expansion of the scope of collection of tax at source at import stage .. (+) Tk. 30 crore

8. Limitation of the scope of exemption in respect of capital gains .. (+) Tk. 3 crore

9. Expansion of the administrative structure of the income tax department .. (+) Tk. 13.20 crore  
.. (+) Tk. 97.20 crore

1. Raising exemption limit .. (-) Tk. 1.55 crore

2. Provision for cost of repairs in respect of self-occupied property .. (-) Tk. 0.05 crore

3. Amendment of the "definition" of the publicly traded company .. (-) Tk. 15 crore

4. Raising the cost of motor car for depreciation purpose .. (-) Tk. 0.20 crore

5. Extension of time limit and raising of exemption ceiling in respect of residential building .. (-) Tk. 0.15 crore

6. Provision of bad debt for banks .. (-) Tk. 40 crore

7. Exemption of capital gains on transfer of shares owned by non-residents .. (-) Tk. 2 crore

8. Withdrawal of surcharge on dividend income of non-residents .. (-) Tk. 1 crore  
.. (-) Tk. 59.95 crore

Net increase from income tax .. (+) Tk. 37.25 crore

B. Gift Tax .. (+) Tk. 0.20 crore

Net increase from direct tax .. (+) Tk. 37.45 crore

[16 Jun, p 2]

[Text] Mr. Speaker, Sir,

40. The details of decrease and increase in tax revenue listed in the Annexure would show that there will be an additional revenue increase of Taka 37.25 crores in income tax. The re-introduction of Gift Tax would yield additional revenue of Taka 0.20 crore besides having a consequential effect on the increase of income tax receipt. There will be a loss of revenue on account of import duty and sales tax to the tune of Taka 122.25 crores whereas revenue gain will work out at Taka 322.45 crores, that is, there would be a net increase of Taka 200.20 crores. There will be a net revenue increase of Taka 326.53 crores in excise duty. Electricity duty would yield additional revenue of Taka 12 crores. There will be an additional increase of revenue of Taka 0.55 crores in advertisement tax. Additional revenue from stamp duty will work out at Taka 20 crores. Thus additional revenue from direct and indirect taxes next year will come to Taka 596.73 crores.

41. The amount of small savings through the National Savings Schemes is increasing day by day. The amount of savings through these schemes was gross Tk. 450.45 crores and net Tk. 212.73 crores for the financial year 1988-89. The target of this savings for the financial year 1989-90 is gross Tk. 470 crores and net Tk. 217 crores. The actual savings, however, are expected to exceed those of the previous year and the target of the current financial year. There is no denying the fact that there are possibilities of further increase in such savings. In order to increase the small savings through the National Savings Schemes, some new steps are being taken. For over-seeing progress of savings, committees have been constituted at National, Divisional, District and Upazila levels. There also a system to appoint commission agents in the District and Upazila levels. A proposal for introducing Prize bonds of Tk. 100 and Tk. 500 denominations is under active consideration of the Government. Documentary films on savings are being made and publicity work is being geared up in order to promote mobilisation of savings. It is hoped that amount of savings will increase in the next financial year as a result of these measures.

Mr. Speaker, Sir,

42. This budget has been prepared in view of the nation's sincere desire for development in general and the country's present socio-economic reality in particular. Besides this, taking into consideration the international trade-situation, the need for speedy industrialisation, protection of domestically-produced goods and the current aspects of the foreign-aid situation, this year's budget has been so made that it will create more employment opportunities for the large number of underprivileged people of the country. At the same time it will provide protection to the home-made goods with a view to ensuring speedy industrialisation. Importance has been placed on improving the efficiency of tax administration and the decrease of dependence on foreign aid.

Mr. Speaker, Sir,

43. Meanwhile, prevailing political stability coupled with able-leadership has already started bearing fruits through various development-works in different fields of our national life. Now, if our administration, investors and the people work in unison with sincerity and devotion for economic emancipation, a brighter future by the grace of the Almighty will surely dawn upon us. If the budget proposals now laid before this august house are accepted, I firmly believe that we can make a start towards building a better future. Let us commit ourselves to the task of attaining the desired socio-economic goals we have set before ourselves, through austerity and hard work. May Allah help us.

Khoda Hafeez, Bangladesh Zindabad

### **Constitution Amendment Ensures Women's Representation**

90AS0261A Dhaka THE BANGLADESH OBSERVER  
in English 13 Jun 90 p 1

[Text] Jatiya Sangsad Tuesday night passed by two-thirds majority a constitution amendment bill seeking reintroduction of 30 reserved seats for women in the Jatiya Sangsad for ten years and removal of "discrepancy" between English and Bengali versions on the time-frame for Presidential elections after more than five hours of heated debate.

A large number of members including Prime Minister Kazi Zafar Ahmed and Leader of the Opposition A.S.M. Abdur Rab participated in the debate. The bill introduced on Sunday was briefly discussed Monday night with a minister and two members of the Opposition participating.

The legislation called Constitution (Tenth Amendment) Bill was opposed by the opposition members on different counts. The ministers, however, defended the bill saying that there were still the "need" for 30 reserved seats and it was logical to be unambiguous about the time-frame for presidential polls.

The Speaker later put the House to vote by division, each clause was thus voted with 226 votes to nil (two-thirds majority) of the total members of the Parliament.

The opposition earlier staged a walk out in protest against the constitution amendment.

### **BNP Front Wins in Peaceful Dhaka University Polls**

#### **Outcome of Vote**

90AS0276A Dhaka THE BANGLADESH OBSERVER  
in English 8 Jun 90 pp 1, 10

[Text] The Aman-Khokan panel of Jatiyatabati Chhatra Dal (JCD), student front of BNP [Bangladesh Nationalist Party], won a full panel victory in the Dhaka University Central Students Union (DUCSU) polls on Wednesday. The JCD also swept in eight hall unions out of 14. The results were announced officially on Thursday.

Amanullah Aman of JCD was elected to the post of Vice-President polling 7,389 votes out of 17,938. His nearest rival Shah-e-Alam of Awami League-backed Bangladesh Chhatra League-BCL (H-A) got 3,619 votes. Khairul Kabir Khokan of JCD was elected General Secretary of DUCSU. He polled a total of 7,191 votes. His nearest rival Syed Kamrul Ahsan of BCL (H-A) polled 3,918. Mohammed Nazimuddin Alam of JCD was elected to the post of Assistant General Secretary of DUCSU polling 7,081 votes. His nearest rival Momtazuddin Ahmed Mehedi of BCL (H-A) got 3,511 votes.



Monir Hossain of JCD was elected Common Room Secretary (7,277). His newest rival was Mohammed Moinuddin from BCL (H-A) polling 3,774 votes. Habibul Islam Habib of JCD was elected to the post of Science Common Room Secretary (7,106). His nearest rival was Mainuddin Mian of BCL (H-A). He polled 3,914 votes. Jahanara Begum Jotsna of JCD became the Secretary of Female Students Common Room. Her nearest rival Fauzia Jahan Popy of Chhatra League polled 3,897 votes. Mohammad Niamot Elahi of JCD was elected to the post of Literary Secretary polling 7,081 votes. His nearest rival Amirul Islam of BCL (H-A) got 3,335 votes. Monir Hossain of JCD was elected to the post of Social Welfare Secretary polling 7,191 votes. His nearest rival Abdus Salam of BCL (H-A) polled 3,331 votes.

Milon Mehedi of JCD was elected to the post of Social Entertainment Secretary polling 6,295 votes. His nearest rival Ashok Taru Karmaker of Bangladesh Chhatra Union (BCU) polled 4,449 votes. In Sports Secretary post Dhaka Mohammedan goal-keeper Syed Hassan Kanan nominated by JCD was elected polling the highest 7,492 votes. His nearest rival Dhaka Mohammedan stopper nominated by BCL (H-A), Qamrul Islam got 5,019 votes. Khondoker Jahangir Alam of JCD was elected to the post of Students Transport Secretary polling 6,763 votes. His nearest rival Jalaluddin Ahmed Neptune of BCL (H-A) got 3,649.

Those who were elected to the post of Executive Committee members are: Rafiqul Islam, Khorshed Alam, Shahansha Sohel, Benazir Ahmed Farook, Mohammed Rashid Ahmed Hossaini, Shahiduddin Anni, Nirmal Chandra Das, Mizanur Rahman and Sazedul Alam Mamun.

Soon after the announcement of the results, the JCD brought out a big victory procession with the elected leaders of DUCSU which paraded the campus.

### Hall Unions

In the hall union polls JCD won in eight out of 14. The halls are Mohsin, Surja Sen, Ziaur Rahman, Bangabandhu Sheikh Mujibur Rahman, Shahidullah, Fazlul Haque, Jashimuddin and Kuwait-Bangladesh Moitri halls. BCL (H-A) won full panel victory in Jagannath and Zahrul Haque Hall Students Unions. Other three hall union posts were shared by JCD, BCL (H-A) and BCU. In Shamsunnahar Hall Students Union BCL (H-A) won the VP, Athletic Secretary and Drama Secretary posts. BCU won Literary and Assistant Sports Secretary posts. Rest of the posts were bagged by JCD including the post of General Secretary.

In Rokeya Hall Students Union Chhatra Union won the posts of Literary, Assistant Sports and Drama Secretary posts. Rest of the posts including the posts of VP and GS were bagged by JCD. In Sir A.F. Rahman Hall Students Union, the BCL (H-A) got the post of Literary Secretary and one member in the Executive Committee. BCU got

the posts of Drama and Sports Secretaries. Rest of the posts including the posts of VP and GS were won by JCD candidates.

The Mushtaq-Swapon panel of the Nine-Student Organisation did not get any post in the DUCSU and hall unions.

### 'Hope for Democracy'

90AS0276B Dhaka THE BANGLADESH OBSERVER  
in English 8 Jun 90 pp 1, 10

[Text] The peaceful elections to Dhaka University Central Students Union (DUCSU) has again raise the expectation for an intensified pro-democracy movement in the country. The tolerance and spirit of peaceful co-existence demonstrated by the students on the strife-torn Dhaka University campus during DUCSU elections signalled the possibility of an united students movement for establishing democracy.

The students of Dhaka University played the pioneering role in a democratic movement in the past [words illegible] to unite for a greater national cause. The students failed over the last three years to bring the leaders of mainstream political parties together to work for establishment of a representative government.

The students have given massive mandate to a single party, Jatiyatabadi Chhatra Dal (JCD), BNP [Bangladesh Nationalist Party] -backed students organisation, in the just concluded DUCSU elections. Amanullah Aman and Khairul Kabir Khokan have got the mandate of the students of Dhaka University to work for improved academic atmosphere in a democratic environment. The newly elected DUCSU leaders will have to work with broader outlook to forge greater unity to intensify the democratic movement. The election of DUCSU has been held at time when the President has announced that national elections will be held by early next year. In this backdrop the DUCSU election is very important and will have profound impact on national elections.

The mainstream Opposition has rejected the elections offer by President H.M. Ershad saying that there could be no free and fair elections under this Government. The Opposition demanded polls under a neutral government. The DUCSU leadership can play a significant role, by uniting the students, in compelling the Government to concede to Opposition's demand for a free and fair election. Any internecine quarrel, like last year, will spoil the new opportunity for an intensified democratic movement in the country after a lull of over two years in the political arena.

### **BNP Leaders Criticize Budget, Government Policies**

90AS0264A Dhaka THE BANGLADESH OBSERVER  
in English 26 Jun 90 pp 1, 8

[Text] Former Finance Minister Saifur Rahman said on Monday that the country had virtually lost its economic sovereignty due to unprecedented mismanagement.

The donors are putting new conditionalities for releasing funds taking advantage of the country's prevailing economic crisis, he added.

Addressing a Press conference on the new Budget at the National Press Club on the day, the BNP central leader said that the situation had led to such a situation that in future a truly representative government would find it difficult to set the economy in order a democratic way.

BNP Secretary General A. Salam Talukder who was with Mr. Saifur Rahman told a questioner that major opposition alliances and parties had given a call for observance of country wide day-long hartal on June 28 to resist the anti-people budget. We will try to go ahead with simultaneous anti-government movement programme to force the government to quit paving the way for holding of fair polls under a neutral government, he added.

Mr. Saifur Rahman was bitterly critical of the government for presenting what has been described an-anti people tax laden budget making everything costlier even for those living below the poverty line.

The budget has utterly failed to give any guidelines to reduce unnecessary expenditures, increase developmental outlay, fix priorities of expenditures, reduce unnecessary import and mobilise internal resources to utilise aid, the former Finance Minister viewed. Giving a very dismall economic picture of the country during the last eight year under President Ershad, he said that the current expenditure increased five and a half times of the level of 1981. The current expenditure is now Taka 7300 crore as against Taka 1300 crore in 1981, he added.

The investment size of 1990 in US dollar 1400 million in nominal term investment as against US dollar 1500 million in 1981, he said. The development Budget has been made 100 p c aid dependent during the last year, he said.

The aid partners of Bangladesh lost confidence in economic management of the government, he said. They suspended final aid commitments this year until a new evaluation of government's performance and fulfillment of commitment, he noted.

Mr. Rahman was also critical of the budget for imposition of taxes on Bank accounts including small savings. Such measures would shake saving habit of the people, he said.

The policy of the Government is to patronise only a selected few through investment in construction of bridges and earthwork which give scope of corruption, he said.

His Party was in favour of reduction of current expenditure by severely running unwanted government establishment particularly upazila structure. Other measures that BNP would adopt include attention to institutional reforms, promote better management of public enterprises, reduce corruptions and improve management of electricity, water, telephone, railway to increase revenue instead of raising prices. BNP would favour savings by way of saving bonds for a larger public investment, mobilise taxes by improving tax administration and directing tax efforts to the pockets of affluence, he said. BNP would also discourage imports which were harmful to the growth of agriculture and indigenous industries. The size of Food for Work Programme has swelled to Taka 458 crore for what has been described misuse at union and upazila level politics.

### **Realism Urged in Plan Formulation, Implementation**

90AS0270A Dhaka THE BANGLADESH OBSERVER  
in English 3 Jun 90 p 5

[Editorial: "The Fourth Five-Year Plan"]

[Text] The Fourth Five-Year Plan is not on the anvil. Its period of operation is to start this coming July 1 which is also the date of the starting of new fiscal year for which the new budget is also on the anvil. The two momentous events, namely the new budget and the new Five-year Plan (the FFYP) are going to start simultaneously. The public mind is very much on them. Compared to the two previous years, 1987 and 1988, the year 1989, was eventless except for the good crops we could harvest. The industries sector has remained backward. The startling phenomenon of a decline in savings in the face of some increase in the GDP (gross domestic product) mainly on account of good crops has created something of a shock and surprise in the public mind. We are going to have the FFYP in the face of all these.

During the TFYP (Third Five-Year Plan) domestic resource mobilisation has been very poor in spite of all the efforts at home and all the pressures from abroad. Domestic resources grew at the rate of about 6 percent in place of the expected 24 percent during the TFYP. In spite of this experience, the FFYP target growth of domestic resources is 25 percent again. How far realistic this ambition is remains to be seen. Of the total outlay of Taka 672.3 billion for the FFYP, the distribution between the public and the private sectors is of the order of 60.6 percent and 39.4 percent respectively. About Taka 323 billion is to be collected from the domestic resources, while nearly Taka 350 billion is to be obtained from abroad as foreign aid (mostly loans, of course). The distribution between internal resources and external

ones thus stands at about 48 percent and 52 percent. Thus the FFYP looks like being another exercise in massive aid-hunting.

Nearly Taka 9.7 billion to be collected as the Jamuna bridge levy is to comprise a part of the internal resources spectrum. The amount of Taka 1.44 billion for the flood protection scheme is to be part of foreign aid.

Fiscal management is expected to improve in as much as a revenue surplus of Taka 76.77 billion is sought to be obtained by ensuring that we have a total current revenue of Taka 477.19 billion and a total current expenditure of Taka 400.42 billion. Of the total volume of current revenue of Taka 477.19 billion as mentioned above, Taka 387.89 billion, which accounts for over 81 percent of the total, is to be obtained from tax revenues, while about Taka 89.3 billion, which accounts for about 19 percent of the total, is to be obtained from non-tax revenues.

With all these resources, thus estimated, we are going to launch our FFYP with high hopes. Our hopes do, indeed, appear to be really high in as much as we are hoping to have annual growth rates of 9.7 percent for tax revenue, 10.4 percent for non-tax revenue, but only 5 percent for revenue expenditure. We do not yet know whether such sweet dreams are realistic in the light of our experiences during the recent years. The public sector ADP (Annual Development Programme) during the FFYP is to be Taka 80 billion in a year on an average. But it is going to be less than three-quarters that much (Taka 57.36 billion) during the very first year (1990/91) of the FFYP.

All these arithmetical calculations go to demonstrate what ambitions we have in terms of financial resources for the FFYP. Resource mobilisation is quite a difficult job particularly in underdeveloped countries which are by definition resource poor. We do not certainly like to discourage our planners at this stage to make ambitious estimates of what we want to achieve by way of resource mobilisation. We shall be in a much better position to put forward our views about all these when we have the plan document before us.

We would expect our planners to take everybody into confidence and not keep plan documents secret, since everybody's co-operation is needed for ensuring that the plan is implemented properly. Meanwhile, of course, we would urge that our planners undertake their planning exercise in detail in terms of realities and not models which may be the dreams of econometricians but a nightmare to those who have to deal with the realities of everyday life as it really is.

## Budget Proposals Discussed, Finance Bill Adopted

### Ershad Discusses Tax Proposals

90AS0262A Dhaka THE BANGLADESH OBSERVER  
in English 26 Jun 90 pp 1, 8

[Text] President Hussain Muhammad Ershad held separate meetings with the members of Jatiya Party Parliamentary Party (JPPP) and opposition Parliament members at Sangsad Bhaban in Dhaka on Monday afternoon, reports BSS.

The President, who had free and frank discussions with both JPPP members and opposition MP [Member of Parliament]s on the budget for the financial year 1990-91, explained the rationality and justifications of the proposed new taxes.

He discussed with the Parliament Members the development activities, economic situation and necessity of mobilisation of domestic resources to undertake development programmes for the welfare of the people.

In this context, President Ershad said the government had been taking measures to adopt mechanism to increase realisation of direct taxes. This, he said, would help reduce indirect taxation which generally hit the common people.

He pointed out that the tax base of the country was very narrow and said one should realise the fact that how difficult it was to prepare a budget for a least developed country like Bangladesh. In this context, he said, out of the total revenue budget of Taka 6,000 to Taka 7,000 crores, Taka 4,200 crores were being spent for the salary of the employees of government, semi-government and autonomous bodies.

The President said out of the remaining Taka two thousand crores, Taka 900 to Taka 1000 crores were being spent as subsidies on fertilisers, electricity and other welfare services. The farmers were being benefitted by the subsidies provided by the government to fertiliser, electricity and other services, he said.

President Ershad said Taka one thousand crores only remain for development purposes with which it was very difficult to meet the expenses of the development. In this context, he mentioned that counterpart fund was needed to utilise the development assistance being provided by aid giving countries and agencies.

He said his government had always given importance to the view points expressed by the representatives of the people in the Parliament. He assured that the government would revise and amend some of the tax proposals and said at the same time we should also realise the fact that without taxation, it was not possible to mobilise domestic resources for undertaking development activities.

Regarding new taxes, the President said the government did not impose any tax on locally produced salts.

Instead, he said it had increased import duty by only ten per cent on the salt imported from abroad to protect as well as to meet persistent demand from the salt producers from Cox's Bazar and other salt producing areas to protect their produce from imported salt.

Earlier, Prime Minister and leader of the House Kazi Zafar Ahmed said President Ershad had created a history in the country by initiating discussions with the people's representatives of both treasury bench and opposition on the budget.

This, he pointed out had established a new positive trend in the political arena of the country and said this would help eradicate negativism, anarchism and instability in the political field.

Vice President Moudud Ahmed, Deputy Prime Minister Shah Moazzam Hossain and Chief Whip of Jatiya Party in the Sangsad were present at the JPPP meeting while leader of the opposition A.S.M. Abdur Rob was present during the meeting with the opposition MPs.

#### **Some Taxes Withdrawn**

90AS0262B Dhaka THE BANGLADESH OBSERVER  
in English 27 Jun 90 pp 1, 8

[Text] The Government on Tuesday announced withdrawal of tax proposals (excises and customs duties) on nine items including salt, edible oil, gas, washing soap and cement in fulfilment of the assurance given by President Hussain Mohammad Ershad, reports BSS.

Winding up the discussion on the finance bill, 1990, in evening session of the Jatiya Sangsad, the Finance Minister, Mr. Mohammad Abdul Munim, said the government took the decision in response to the call by the opposition members who met the President and to alleviate the sufferings of the common people.

After the amendments to the tax proposals, the holders of deposit accounts upto Taka five thousand in the scheduled banks will have to pay at the existing rate of Taka ten per deposit account as excise duty and the holders of deposits above Taka 10 thousand will pay Taka 100 per year as excise duty on services rendered by the bank.

Earlier, it was proposed to raise the duty to Taka 100 from the existing rate of Taka 10 for all accounts.

Tax proposals (excise and custom duties) have been withdrawn fully or partially on the following items:

Excise duty: gas, edible oil, laundry soap, kerosene, C.I. Sheets, G.P. sheets, and cement.

Development surcharge (DSC) proposed on imported salt and proposed sales tax on imported cement have been withdrawn.

It was earlier proposed that the import duty on capital machinery would be 10 per cent all over the country irrespective of areas developed or under-developed.

With the amendments to the proposals, the import duty on capital machinery in developed areas will remain at 10 per cent, but the under-developed areas will pay five per cent.

Besides, the industries in the industrial estates approved by the BSCIC, industries exporting 70 per cent or more of its produce, and industries using a minimum of 70 percent indigenous raw materials will get refund of two and a half percent of the import duty after the industry has been set up and gone into production.

Finance and Planning Minister M.A. Munim on Tuesday night proposed partial and total withdrawal of taxes and duties on certain essential goods in the greater interests of the commonman.

The decision to exempt taxes and duties on the goods had been taken as per the directive of President Hussain Mohammad Ershad following his meetings with members of both the ruling party and the opposition members in the Jatiya Sangsad, he said.

Mr. Munim said resource shortfall of the new Budget caused by the exemption would be met by reducing administrative expenditure and certain other measures.

The Finance Minister thanked members of the Sangsad particularly those from the opposition, for their constructive criticism of the Budget which helped in taking the decision on the exemption of taxes and duties.

Rejecting the opposition suggestion that the taxes were imposed because of external pressure and at the directives of donors, the Finance Minister said taxes were imposed because we needed resources to finance development expenditure. He said it was true our development partners (donors) gave advice on many matters including those on financial aspects, but those were not mandatory. Decisions found incorrect could be rectified, as was being done now, he added.

The Finance Minister said the major aim of imposing taxes was to raise the country's capacity for self-reliance and lessen dependence on external sources. He, however, said lessening foreign dependence could not be such as it would make the life of the commonman miserable.

Mr. Munim said more taxes had been proposed on those who could pay and the main emphasis of the tax proposals were to provide maximum relief to the poor and people in hardship, he said adding, the withdrawal exemplified the government's sincerity in this regard.

The Finance Minister said we were now attempting to raise the ratio of revenue earnings from current seven per cent to 14 per cent of the GDP. He said the taxes, which were added every year, aimed to reach the target. He said if we could move in a planned manner with a positive attitude, we would certainly reach the goal.

The Finance Minister thanked all members of the Jatiya Sangsad for their contribution in arriving at the decision



to withdraw taxes and duties on several commodities for the benefit of the people which the members represented.

Leader of the opposition A.S.M. Rob taking the floor thanked the President, the Prime Minister and the Finance Minister for withdrawing the new taxes. He described the decision as the victory of the people, democracy and constitutional politics. The decision to withdraw taxes had elevated the status of the Sangsad, he added.

He said the tax withdrawal had created a history in the Parliamentary politics of Bangladesh.

The Leader of the House, Kazi Zafar Ahmed, appreciated the attitude of the leader of the Opposition and said the opposition and the ruling party had broken many traditions and set new ones. The tax withdrawal was a shining example of the new tradition, he said.

#### **Fuel, Other Taxes Withdrawn**

90AS0262C Dhaka THE BANGLADESH OBSERVER  
in English 27 Jun 90 1, 8

[Text] Joynagar (Comilla), June 26:—President Hussain Muhammad Ershad said here today that tax proposals on kerosene, imported salt and washing soap in the National Budget for 1990-91 fiscal year would be waived considering the fact that they might affect the poor, reports BSS.

The President was addressing a mammoth public meeting organised in connection with the inauguration of the "Thikana Joynagar", a cluster village in Comilla Sadar Upazila where thirty landless and distressed families have been rehabilitated.

President Ershad, who was accompanied by visiting U.S. Congressional prayer breakfast group members Jim R. Hiskey and Mare J. Rougeux, formally inaugurated the cluster village by unveiling the plaque.

He went round the village and talked to the residents enquiring about their welfare. He planted a sapling at the village and released fish in the village pond.

The village situated on an area of 9.89 acres of land has tubewells for supply of pure drinking water, vocational training for the residents for self-employment, educational facilities for the children, cooperatives and family planning department.

President Ershad referred to the budget for the coming year and said although the tax proposals on kerosene, washing soap and imported salt were very nominal, these were being waived since these items were used by common people. Besides, he said, the parliament members of Jatiya Party as well as the opposition MPs requested him to re-consider the taxes on these three items.

The President said by waiving the taxes on kerosene, salt and washing soap, his government had once again

proved that it always wanted the welfare of the common people. In this context, he pointed out that it was not possible to run the government or undertake development programmes without revenue earnings.

He said revenue income of the government was Taka 6000 crore annually while it had to spend Taka 4200 crore for the salary of the employees of government, semi-government and autonomous bodies. Out of the remaining money, about Taka 1000 crore was being spent for providing subsidies to fertiliser, agricultural implements, electricity and other services. This, he said, leaves only Taka 1000 crore for the development purpose.

President Ershad said some opposition political parties, which did not participate in the polls, had been trying to create confusion in the minds of the people by resorting to unfounded movements. The people who had seen them in power in the past were aware of their misdeeds, he said, adding: during their period of rule, they imposed taxes several times higher than his government.

He said his government believed in work and not in tall talks like that of the opposition political parties. Cluster villages, distribution of khas lands among landless and for the welfare of the common people were the manifestation of this fact, he said.

On the other hand, the President said the opposition political parties which were in power indulged only in tall talks and did nothing for the welfare of the people. Miseries of the people increased manifold during their time, he pointed out.

#### **Budget Passed**

90AS0262D Dhaka THE BANGLADESH OBSERVER  
in English 27 Jun 90 pp 1, 8

[Text] The Jatiya Sangsad on Tuesday adopted unanimously the Finance Bill-1990 with an amendment to give effect to the financial proposals of the government and to amend certain laws, reports BSS.

Piloted by the Finance Minister, Mr. Mohammad Abdul Munim, the bill will come into force from July 1, 1990.

The amendment to the finance bill, moved by the treasury bench member from Chittagong, Mr. Abu Salek, delete the proposal for imposition of duty on edible oil, all sorts, processed, refined or produced mechanically by oil mills and refineries was accepted by the House.

Before giving the amendment to vote, the Finance Minister said he had no objection as the government decided to withdraw the duty on the edible oil.

#### **Consumers' Survey Registers Rise in Prices**

90AS0268A Dhaka THE BANGLADESH OBSERVER  
in English 2 Jul 90 pp 1, 10

[Text] The prices of different essential items have registered a rise by 12.30 percent during the fiscal year

1989-90. The cost of living has gone up by 18.84 percent on an average during the same period, according to a survey conducted by the Consumers' Association of Bangladesh (CAB).

The CAB in its survey revealed that the prices of gas electricity firewood, cloth and house rent have been increased compared to the foodstuff alarmingly between the period of July 1, 1989 and June 30, 1990. On the other hand, the prices of rice, vegetables, spinach, pulse remained virtually static during the same period, the survey reveals further.

However, the price of rice pulse, vegetables and edible oil marked a rise by seven percent at the fag end of the last financial year. On the other hand, the price of cloth, house rent and firewood have gone up by 42.70, 25.79 and 18.45 percent respectively.

The CAB survey gathers that the prices of various essential items rocketted high suddenly by 16.15 percent with the beginning of Ramzan last year. But there was downward trend in the price of those commodities at the later part of the last fiscal year. The prices of different commodities have gone up by 4.78 percent immediately after the announcement of the national Budget for the year 1990-91.

There had been unusual rise in the prices of various commodities in the fiscal year of 1988-90. The CAB in its survey further revealed that the prices of different commodities were relatively less compared to the prices of those last year. The reason was attributed to the decrease in the prices of agricultural products, the CAB survey added.

The survey further observed that due to lack of any initiative for controlling the prices a trend have been developed among the traders to raise the prices showing one reason on the other.

#### **Economic Panel Approves Annual Development Plan**

90AS0263A Dhaka THE BANGLADESH OBSERVER  
in English 13 Jun 90 pp 1, 10

[Text] The National Economic Council (NEC) on Tuesday approved the Annual Development Programme (ADP) of Taka 5668 crore for the fiscal year 1990-91, envisaging an overall annual economic growth rate of 5.02 percent, reports BSS.

The approval was given at the meeting of the NEC, held at the Planning Commission in Dhaka with President Hussain Muhammad Ershad in the chair.

The meeting also approve the revised ADP of Taka 5102.76 crore for the financial year 1989-90 with project annual economic growth rate of 5.77 percent. The original ADP for the year 1989-90 was Taka 5803 crore.

Out of the total size of the ADP from the coming year, Taka 2,088 crore will be available in local currency while

the remaining Taka 3580 crore will come in the form of project aid. The ADP for the year 1990-91 is 11.08 percent higher than the ADP of 1989-90 fiscal year.

The ADP for the year 1990-91 has included 818 projects of which 615 are under investment programme, 58 will be implemented by utilising organisational funds and 145 technical assistance projects to be financed mainly with foreign assistance.

In the meeting, President Ershad stressed the need for effective and long term programmes for poverty alleviation. In this context, he asked the planners to go deep into the matter and take effective programmes for poverty alleviation. He put emphasis on removing the present cumbersome procedure of project approval and said this must be simplified and made more comprehensive. He said from this year the processing and approval of projects must be made within one month's time.

The President said the objective of the ADP should not be to include large number of projects, rather, it should be limited to such priority projects which were essential for national interest and could be implemented with the available resources.

He said the project should have to selected, considering their utility in the national life. Besides, he pointed out that own resources would have to be mobilised so that funds could be made available for project implementation.

Earlier, Finance and Planning Minister M.A. Munem and Planning Secretary Chowdhury A.K.M. Aminul Huq gave the outlines of the ADP for the year 1990-91 and the revised ADP for the year 1989-90.

Vice President Maudud Ahmed, Prime Minister Kazi Zafar Ahmed, ministers and secretaries of different ministries participated in the discussion on the ADPs.

The highlights of the ADP for the year 1990-91 include allocation of significant part of the money earmarked for achieving self-sufficiency in food for the development of agriculture, water development and rural areas.

Other sectors which been given priority in the next year's ADP are compulsory primary education, improvement in the standard of the people living under poverty level, rural development and social welfare for generating employment opportunities, health and family planning and development of power generation and gas sector.

#### **IRAN**

#### **Rafsanjani Orders Production of Lead-Free Gasoline**

90AS0277C Tehran ETTELA'AT  
in Persian 4 Jul 90 p 2

[Text] Tehran-Central News Unit: On the morning of the day before yesterday (Monday), a decree issued by Hojjat ol-Eslam Val Moslemin Hashemi-Rafsanjani and

addressed to the Petroleum Ministry instructed it to act on the production of no-lead gasoline.

This will be done in line with the provisions of hygiene and public health and a reduction of environmental pollution especially in large cities.

According to this decree, the Petroleum Ministry must cooperate with other appropriate organizations to plan and determine the time of the implementation of the production of no-lead gasoline.

In his decree, the president has ordered that until final results are achieved, the aforementioned activities must be followed up expeditiously and that he be frequently briefed on the progress.

### **Economic Terrorist Sentenced To 20 Years Imprisonment**

90AS0277A Tehran JOMHURI-YE ESLAMI  
in Persian 14 Jul 90 p 2

[Text] Qom—Correspondent of the daily JOMHURI-YE ESLAMI: An economic terrorist charged with economic abuse during the war—totaling an amount of 8 billion Rls [rials] from hoarding, price gouging, sabotaging the economic security, and bribery—and considered as a "Corrupt On Earth" in the indictment against him was sentenced to 20 years imprisonment by the Islamic Revolution Court of Qom city region.

According to the report by our correspondent, Seyyed Ali Sharifiyoun who was recently tried in the Islamic Revolution Court of Qom city region, lacked any financial capability prior to the year 1361 [21 Mar 1982-20 Mar 1983]. In the course of several years, by selling government [subsidized] foreign exchange and rationed goods in the free [black] market, he gained a windfall wealth of 8 billion Rls. He is the proprietor of three companies—Zar, Zarrin, and Albasesh. The said person, as the prime suspect accused in the case, was sentenced by the Islamic Revolution Court of Qom to 20 years imprisonment, return of all the foreign exchange appropriated from the government, and payment of fines equal to the value of the foreign exchange taken from the government. Seyyed Abulqasem Sharifiyoun, the second accused charged with participating in the crimes, was sentenced to ten years imprisonment, return of the original amount of foreign exchange appropriated from the government—relative to his one-half share in the Zar Company—payment of cash fines equal to the appropriated foreign exchange and confiscation of his company by the government. The third codefendant, Mohammad Azhdari, accused of participating in the crimes and relative to his share in the Zar Company—considering the extenuating circumstances in the punishment [as published]—was sentenced to a seven years suspended sentence and a payment of 20 million tomans of gained profits. The accused numbers 4 to 23 and number 27, as mentioned in the indictment, were charged with aiding and abetting in the commission of crimes and facilitating the number-one and number-two defendants. Based on

their degree of participation in commission of the crimes, they were sentenced to suspended jail terms ranging from one to five years and, in some cases, payment of fines in proportion to their gained profits.

The report by our correspondent also indicates that—since the trial of Seyyed Ali Sharifiyoun was the first experience in open trials of major economic terrorists—there seems to be a need for attention to be paid to some existing shortcomings. The first substantial fault of this court was its lack of superiority over the accused. It means that the court resembled more a debate than a trial of an accused. Another fault was its failure to hold the follow-up session. At the end of the first session of the court, the religious judge proclaimed that the next session would be held on the following day but the session was not held on that day. And, finally, another fundamental difficulty was the failure to put the rest of the defendants in open trials. These shortcomings result in the unsuccessful experience of such open trials. It is hoped that appropriate officials will wipe out any doubts or questions in the minds of the people by resolving these shortcomings.

### **Organizational Principles of Reconstruction Detailed**

90AS0245A Tehran KAYHAN INTERNATIONAL  
in English 14 Jul 90 pp 8, 9

[Article by Mohammad Ali Kamrava, Vice-Chairman of the Settlement Unit, Ministry of Housing and Urban Development]

#### **[Text] Introduction**

The Islamic Republic of Iran is the first country in history which has started to reconstruct and renovate her war-stricken regions while being involved in an overall imposed war.

During Iran-Iraq war, the whole technological capabilities of the world, except the nuclear weapons, have been used against the Muslim people of Iran for a period of eight years.

Therefore, the extent of destruction caused by this war is very large in different dimensions. In order to perceive some parts of the damages incurred, the report of the Ministry of Planning and Budget regarding the imposed war damages can be referred to.

The task of reconstruction and renovation of the war-stricken regions in more than nine provinces of the country in different branches and fields, simultaneous with continuation of the war in the said regions, demands the institution of the administration goals and some special techniques. These are completely different from the cases experienced by the countries involved in World Wars I and II, or the Korean and Vietnam Wars.

### **Trend of Reconstruction and Renovation of the War-Stricken Regions in Iran**

The initial foundations of the reconstruction and renovation organizations were formed with limited objectives after the missile attacks to the historical city of Dezful in Khuzestan Province in 1981. Meanwhile, the fundamental studies on the organization, administration and the goals of reconstruction and renovation of the war-stricken regions were being carried out in the Ministry of Planning and Budget.

After Khorramshahr was recaptured in June 1982, the War-Stricken Regions Reconstruction and Renovation Headquarters was formally instituted under the supervision of a council consisting of the Prime Minister, a representative of [word illegible] and the Minister of Interior.

From the military viewpoint, the liberation of Khorramshahr was the start of a new stage of the Islamic combatants' advancement and a gradual defeat of the Iraqi forces.

Beginning of reconstruction and renovation of war-stricken regions at the peak of the war made the coordination of strategic aims of planning and administration of these two simultaneous tasks an inevitable affair, because these two activities are being carried out together in a common geographic region.

Now we are going to study the fundamental aspects of reconstruction and renovation of war-stricken regions, simultaneously with the continuation of war.

#### **A. Military Aspect**

Western and southern war-stricken regions of the country can be divided into three categories:

The regions involved in the war (warfront).

Recaptured, polluted regions.

Liberated regions which are still being threatened.

The aims of reconstruction and renovation of these areas are:

1. Regions involved in the war: to offer the required logic and engineering services to the military forces such as reconstruction of water and power networks, telecommunication facilities, roads, bridges, reconstruction of buildings necessary for military activities.

2. Polluted Regions: pollution of these regions in regards to hygienic and security types. The fundamental aims of reconstruction and renovation in these regions are:

Removing all demolished and other military vehicles and equipment and cleaning the land from mines and military traps.

Removing the bodies of the soldiers and civilians which are scattered throughout the region.

Cleaning polluted rivers and water resources.

Paying special attention to the reconstruction forces in these regions due to the direct contact of these regions with the front lines and the possibility of penetration of the enemy on one side, and organizing of reconstruction and renovation tasks on the basis of people participation on the other, will be discussed later. These facts will impose special limitation on reconstruction and renovation tasks for these regions, with regards to the danger of enemy fire, water and soil pollution and enemy penetration.

3. The threatened regions: In addition to the five border provinces, East-Azarbaijan, Hamadan, Lorestan and Bushehr provinces were also subjected to the long range of military aircraft and surface-to-surface missiles of the Iraqi army. In other word, 9 out of 24 provinces of the country were threatened by air and missile attacks. In the meantime, many military installations and army support units are located in these regions. The vast areas of these regions make enforcement of any military restrictions such as those of the polluted regions impossible; however, this will necessitate the presence of the military forces throughout these regions and their movements in order to provide logistic and support operations.

#### **B. Economic Aspect**

Some of the economic damages resulting from the war include, unemployment of half a million of the nation's labor force, immigration of more than 2 and one half million (1.6 million formally registered) and closing of 60 percent of the country's ports and refineries.

The missile attacks of the Iraqi regime on the Iranian cities and residential areas were carried out in order to achieve economic and political aims, although they lacked any military value. One such aim was to change a large number of active and productive labor forces to life-pensioner immigrants and to unbalance the social and economic equilibrium of other provinces due to sudden and huge immigrations. One of the main objectives of reconstruction and renovation during wartime was to neutralize and counter the economic plots enforced through the imposed war which is comprised of:

1. Return of the active forces to their original residential area.

2. Prevention of immigration into other parts of the country.

3. Restriction of immigration into unsafe areas.

4. Commissioning the main network of the fundamental installations.



5. Commissioning of the main public services such as security, education and public health.

6. Reconstruction and renovation of productive economic units which, in a priority order, include; agriculture, industry and services.

7. Giving priority to the reconstruction of job-making productive units in order to attract a larger number from the labor force.

8. Giving priority to the maintenance of the existing units, repair of the damaged ones, reconstruction and renovation of the destroyed units.

9. Construction of the necessary major installations in order to execute the reconstruction and renovation projects such as construction of factories, procurement of materials, and building of the new required fundamental networks.

10. Reconstruction and renovation of damaged housing units.

One of the major steps to achieve the economic goals of reconstruction and renovation of war-stricken regions, is to provide master plans for 13 war-stricken cities and also regional studies about soil, water and energy resources, and their land/sea transportation potentials. The above objectives necessitate an economic planning and adjustment of the required budget. On the basis of these programs the number of war immigrants has decreased to half within three years, despite continuation of war, and although most of the registered immigrants have left their residents, they live within their own province.

### C. Political and Social Aspects

In countering the social and political objectives of those who imposed the war on the Islamic Republic of Iran, the reconstruction and renovation of war-stricken regions could not be started and developed free from social and political objectives of its own. The most important objectives include:

- Strengthening the political position of the Islamic Republic of Iran in the world as the first country which has started another war names reconstruction and renovation in a large extent, while continuing a military war, without receiving any aid from foreign countries or even international organizations.
- Reconstruction of different regions such as those Arab, Fars, Kurd, or Lor regions, disregarding any nationalistic trend, in order to neutralize the tribal plots.
- Prevention of the war ensuing consequences such as prostitution, robbery and social misbehavior.
- Alteration of the inappropriate local traditions which are in contradiction to Islamic regulations.
- Strengthening the good traditions and local culture.
- Providing a sense of hope for more effective endeavors and increase the presence of the people in

political and military scenes of the country.

- Neutralizing all political pressure which tries to make Iran accept an imposed peace.
- Promoting the people's political and social morale in the regions far from the battlefronts through their participation and aid to the war.

### Organization and Administration of Reconstruction and Renovation

It was evident from the beginning that in order to achieve the reconstruction and renovation goals, special organization and administration is required regarding the large size of the damaged areas and the continuation of the war. The fundamental elements of a national organization for reconstruction and renovation can be categorized as follows:

- Government Organizations
- International Institutions
- People's Power and Capabilities

Governmental institutions, considering they already have to bear calamities of an imposed war, can not withstand another war call reconstruction and renovation. To impose such a duty might have a very negative repercussion on the war fronts.

As long as international organizations follow special political aims and favor some certain countries they cannot be accepted by us, because their goals are different from those of the Islamic Republic's.

After long investigations, now we see the results of the "Truman aid" to European countries after WWII; also, the aid from different organizations belonging to the U.S. and the Soviet Union to Eastern Europe, Vietnam, and Korea after their wars were over, will conclude the little role these international organizations may have in reconstruction and renovation attempts.

People's power with a population of more than 50 million and having strong faith in God is an unending force; if organized properly, is able to fulfill any task without any help from the outside. The successful experience of continuation of the war with the help of people's mobilization proves that organizing these forces properly will guarantee a vast and continued undertaking for renovation of war-stricken regions.

Crucial questions concerning such a huge mobilization of people were:

- What do we mean by referring to the people?
- How should we determine, with regards to the reconstruction and renovation procedures, different stages from the time of setting goals to the time of fulfilling those goals by the people?
- What is the best way of organization considering peculiarities of people's organization and its difference from the governmental one?
- What are people's motives in these organizations?
- What relations should governmental institutions have in people's organizations?

- What is the role of government?
- How should the structure of these people's organizations and their related hierarchy be?

The above questions, and many others, can be divided into three categories:

A. Duties of a governmental organization compared to the people's organization.

B. Procedures involved in governmental organization and people's organization.

C. Connections between the governmental organizations and the people's organization.

To distinguish duties for the purpose of determining aims and policies between government and people organizations, four methods were brought under investigation:

#### **1. Method of Vertical Separation of Duties: (or stages separation)**

It covers allocation of the sections concerning determining the aims, policies, and planning for the government institutions, and fulfillment of these policies for people's organizations.

#### **2. Method of Horizontal Separation of Duties: (or projects separation)**

It covers all the procedures of a plan right from the beginning of determining policies to placing execution of the plan under the management of either a governmental or people's organization.

#### **3. Parallel Method**

It covers simultaneous participation of both government and people organizations for all parts of the plan; from determining policies to planning and execution.

#### **4. Method of Balanced Separation of Duties: (or diametrical separation)**

In this method, government's role gradually decreases from determining aim and strategy into execution. But on the other hand, people's role increases. In this method, government interferes more in strategies and aims and people interfere more in execution and performance. It is interesting to know that both government and people are present in all stages. The following results were obtained from the comparison of positive and negative aspects of each method:

1. In the vertical method; government should act as the employer and the people as the workers. People not knowing what to do and their presence on the scene with no specified target will fail and their presence can not last long; this experience failed completely.

2. Allocation of all stages of a plan to government and people organizations (horizontal method) confuses everything in which control and coordination of the

policies and aims gets out of hand. Furthermore, we should know that due to people's better sense of execution, there will not be a productive completion between these two institutions.

3. Although in the parallel method participation and presence of the people is guaranteed in all stages of the project, due to an un-balanced level of skills and specialization, maximum exploitation will not be possible. People maintain more power in executing a plan, while government experts can show their ability more in the field of policy-making, planning, and control.

4. Balanced method is a corrected method of the parallel method on the basis of the capacity of each government section or people section. In the balanced method, division of policy-making and aim-choosing is on the government's shoulder and its participation is done by the people.

The planning section is managed by both; and finally execution is managed by people with government participation.

#### **People's Presence, People's Participation or People's Management?**

There have been different experiences of methods and ways of people's participation in different countries in the world. In all of these methods, the role of the people swings and changes from their presence to their participation which on the whole is called "People's Participation". However, the topic of the "People's Management" with such an extensive national enterprise and far from personal interest, has not been experienced in such an intense and wide range. In the balanced method, the people's management in the executive part of the plan and their participation in planning and their presence in determining aims and policies have been made possible. The questions arising for the execution of this method are:

How separation and participation are made possible for the time-scheduled plans, if the balanced separation method is supposed to be chosen for all the plans?

For participation in planning and presence in all stages of policy-making there is an urgent need for specialized experts and skilled forces, how can these forces come into existence and reality through mobilization of the people's force?

To answer these questions, it was necessary that definition of the people's force was expressed as those soldiers who could use, at most, an RPG (rocket propelled grenade) or construction laborers who can ply spades. Here the meaning of the people's force changes its color, it is described as the use of the forces of all walks of life such as university professors, clergy, technocrats, technicians down to simple workers and volunteers. This definition covers not only all strata of the society, but also all the homestricken of the imposed war, inhabitants of the war zones, and even government employees who

voluntarily participate in people's mobilization. Only by such definition of the people's force and through a proper mobilization can we reach a balanced method of all plans and projects. One of these successful experiences is the reconstruction of the network installation of the cities and the 100 km railroad construction of Ahwaz-Khorramshahr project which were executed through people's mobilization. Similar experience would be seen in the military fields and battle tactics revered by war logistical command of Jihad Sazandegi (Construction Jihad) which had become an initiator in new war techniques and methods.

### **Return of Immigrants to War-Stricken Regions**

Unless people return and live in the war-stricken regions, desired results of people's mobilization for balanced separation of duties would not be achieved, and this entails return of the immigrants to their former place of living as the avantgarde of the renovative armies.

What exactly caused brave defenders of the war to maintain their high spirit was the very presence of the people in the cities near the front line such as Abadan, Dezful and Gilangharb. This presence also applies to those immigrants getting back and staying in their lands in order to cause continuation of renovation rendered by people's forces. In the meantime, one should not forget that the presence of the war-stricken people in their fatherland localities facilitates aims of people's management due to their close knowledge of local lands such as geographical, physical, economic, and social factors. Presence of these immigrants in their former living places brings about two positive qualities: from one side they become part and parcel of the people's force for reconstruction, and from the other side they become giver and taker of mutual help in a very friendly manner which cannot be separated between the seeker of the help and the one who provides this assistance; a relation which under no circumstances may prevail between government institutions, no matter how interrelated with people it may be. The reason lies in the fact that an afflicted immigrant always appraises a government institution as a debtor which must serve him accordingly or he considered it at least as an organization which has to offer him various possibilities which may not be provided in normal situations.

### **Governmental and People Hierarchy**

In balanced separation of duties, it is necessary for government and people organizations to move in all stages in parallel coordination.

Executive government hierarchy from the Board of Ministers down to the presence of government's representative in districts and villages, are wide and far. There was also need for creating such a hierarchy for people to mobilize themselves in order for them to put into effect a balanced separation method.

As we mentioned before, reconstruction and renovation of war-stricken regions are prime goals of the described

High Council, by the chairmanship of the president, and the membership of late Imam Khomeini's representative and that of the Minister of Interior.

Government organization hierarchy contains central headquarters (with 15 Ministers as head of the revolutionary organ), the province-headquarters, and the country's headquarters.

Determining aims and strategies are the main duties of the High Council.

Determining national planning and people's needs are the duties of the central headquarters.

Regional planning and zone control are the duties of the province headquarters.

Executive coordination and management control are the duties of the country headquarters.

The important point in the governmental organizations for the reconstruction and renovation of war-stricken regions is the way in which the hierarchy and organizational divisions are determined for specified aims and goals; while in our customary organizational procedure, apart from the council of the ministers, all levels of the hierarchy selection are based on specialty. This difference renders necessary flexibility and power for the fulfilment of gigantic capacity efforts to carry on renovation operations on the basis of various economic, political and social aims and targets.

The people organizational hierarchy should maintain its relation with the official organizations. The following specifies the basis of balanced separation of duties:

1. To attract people's inspiration and confidence at all levels.
2. Presence of the people everywhere and the extension of organizations all over the country.
3. Coordination with war-front people's mobilization; because these two kinds of activities and organizations have a close relationship.
4. Close and mutual relationship between official and people's organizations at all level.

Mosques and clergy costs are two factors to attract inspiration and confidence in a committed and Muslim society. Presence of the revolutionary organs in people's organizations make people participate in activities all over the country and at all levels. And presence of government's representatives at all levels secures close and mutual relations between official and people's organizations, and that is why people's power under given headquarters and on the basis of a flexible organization are formed to fulfil various aims.

The main frame of the given headquarters was formed under the supervision of the High Council for the reconstruction of each province (whether war-stricken or

special) with participation of the Imam-e-Jumma, governor and a member of the Council of the Construction Jihad together with the secretary of Islamic Republic Housing Foundation. The same specified headquarters were formed in the cities and even in the villages.

People's organization and its hierarchy which have been formed for special purposes observe managerial levels, manage policies for planning, and maintain necessary freedom of action. The most distinguished characteristic of such an organization gives personality and responsibility to these headquarters which have made them successful.

### Planning and Organizing People

In the customary methods of planning, if the number of variables are great and the amount of information is little, it is less possible to fulfil those plans. So, it is obvious that planning for renovation of war-stricken areas for the purpose of forming a new people's organization in a customary way will not have positive and desired results; especially when there is simultaneously an imposed war going on and when there is an economy depending highly on oil which is under the international fluctuations.

Apart from factors such as time and place of military operations, destruction resulting from these attacks, the unforeseen factors in connection with the country's limitations shall be included in the program of development of war-stricken areas. People's mobilization and organizations are also new factors which necessitate the customary plans to be revised. What we investigate here is planning of the people's mobilization with the balanced separation of duties method. As we said earlier, the importance of mobilizing people in this method will bring about people's management in executing such plans. Execution of any plan results from determining its aims and policies for putting them into effect, and handling each program depends on capital, spiritual and material possibilities along with necessary management power.

One of the basic aims of people's management is employment of people's potentialities, whether being manpower, capital, or public possibilities. The amount of power, capital and other possibilities which are injected into this system is in connection with the public's confidence and aspiration; for example, anytime our Islamic combatants achieve victories on the warfronts, people's contributions increase accordingly. These fluctuations on the side of the people resulting from changes on the fronts and their mutual interrelations make us consider a special planning with proportionate possibilities of the mobilization in the time of the war. We must bear in mind that eventually war comes to an end. Obviously the renovative possibilities and circumstances will change dramatically, together with the people's needs and aspirations. These changes also cover people's organization management, planning, execution, and aims of the policies. We have to be prepared from now.

We must think deeply for renovation of post-war periods. The way in which the war ends is itself one of the factors determining how, in that new stage, a renovative post-war program shall be. Submission to enemy and resorting to compromise, strikes such a horrible blow to public confidence that it will barely resist under exerted pressure. People's organization cannot bear such a blow and may disintegrate completely, and the result is that the burden falls on the shoulder of government institutions. The government institutions cannot stand the pressure from the point of view of management, manpower and execution even if they succeed in receiving all war indemnity.

On the other side, if the war ends with desired aims and through decisive victory of Islamic combatants, necessary social and political conditions are enough to guarantee the growth of the people's confidence for a long period till the end of a renovation program, even without receiving any war indemnity.

## NEPAL

### Industrial Development Needs Analyzed

#### New Initiatives Recommended

90AS0255A Kathmandu *THE MOTHERLAND*  
in English 9 Jul 90 p 3

[Article by Surya Bahadur Prasai: "Industrial Development - Need for New Initiatives"]

[Text] As a recent article in this paper "Developing Industrial Base: Protection or Competition", by Bijendra Shaky (July 5, 1990) suggested Nepal has always been lacking an industrial policy based on self-initiative with the government's slackness in developing one. While everything can be vouched for in the name of democratic enterprise, it is becoming quite obviously that unless we Nepalese are willing to take a national initiative to develop entrepreneurship based investments in the industrial sector, no one will come to our rescue. The industrial sector is contributive not only to the GNP [gross national product] of the country, but its catalysed development can bring an enhanced quality of life to every Nepalese citizen.

### Open Environment

In the recent annual meeting of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI), both the Finance Minister as well as the Industry and Commerce Minister stressed the need to create an open environment for industries to operate in Nepal. Mrs. Sahana Pradhan in fact went so far as to state that a "policy needed to evolve for producing goods on a war footing". Rightfully, with the reopening of borders, certain bilateral relaxations related to additional customs duty and the flow of goods from India to Nepal at a cheaper price, Nepalese industrialists and industrial houses must now wake up and compete.



Undoubtedly, it still happens to be the small enterprises' export contributions which have shown fruitful prospects for Nepal where external trade scope is concerned.

While there has been a widespread belief amongst the various industrial clubs in Nepal that Nepalese exports cannot stand up to international competition, firstly in quality and secondly in price, it must be assumed that such concepts seek to fill the vested interests of only a small group of national and foreign investors in Nepal. Despite much efforts put in by the Ministry of Industry, not many large-scale industrialists, for example, support small business promotion projects in Nepal.

In fact, a small business official confides: "even though the infrastructure is there and the new Finance Minister has been constantly stating the need to focus on small and medium enterprises, we have not received any policy thrust in this direction". In Nepal, where small and medium enterprises have just started developing, it is the entrepreneur at the grassroots level who should be convinced ultimately that his efforts will actually generate the new industrial growth rate of Nepal.

For more than 43 percent of Nepal's rural entrepreneurs, industrial activities have been a second substitute to agricultural livelihood. Not only do they lack loan financing, guarantees and equities in their average (less than Rs. 10,000) investments they have found no consolation from the government either by way of raw materials concessions, small business consultancy, and training or legal advice in order to start or expand on their businesses.

For example, Cera-Nepal, which has been exporting glazed Nepalese ashtrays to Japan in ever increasing quantities, who started by an entrepreneur who was rejected by banks for loans. Rama Kumari, a small business entrepreneur of Kaski, has never been to Kathmandu to export her products. A Netherlands firm is directly exporting all her unique silk shawls to EEC countries, and she leads a life oblivious of industrial complication or policy adjustments.

This is what concerns the basic division between government and FNCCI priorities regarding the future of Nepal's industrial policy. The most needy entrepreneurs have never been given the chance to surface, while as the white paper of the government charges, "only a few industrialists and industrial houses so far have made use of Nepal's sluggish industrial policies."

Where the future of Nepal's industrial initiatives go, it seems most necessary that the correct entrepreneurial base be developed first. The objective of such an entrepreneurship culture model would be to sustain a more dynamic small and medium industrial infrastructure to boost bilateral and multilateral products base of Nepal. It cannot be denied, according to FNCCI sources, that Nepal's industrial culture has been very akin to other stagnant ones of various least developed countries.

It has always been the Chambers of Commerce and Industries and a few indigenous entrepreneurs taking the lead over government policy vis-a-vis human resources development, industrial education, creation of mass employment and technological facilitation. But as some officials in the Ministry of Industry believe, "the problem is one quite akin to the whole SAARC [South Asian Association for Regional Cooperation] region except India", where the government has failed to act as an eye-opener of industrial development through various policy loopholes due to pressures from various business houses.

Whatever the debt might be, consolidation of export-based initiatives, or war footing action plans, no one can deny the fact that small-scale industries have been neglected too long, not only by the Ministry of Industry but also the commercial banks of Nepal. On the other hand, it is becoming a daily headache to bureaucrats as to how Nepal might even be able to compete with India in products where the 65 percent indigenous materials clause goes.

Nepal needs to learn a few lessons from the new export houses of Asia such as Japan, Malaysia, Singapore, and Thailand. The concept of industrial growth becomes quite meaningless, as these countries have shown, without developing the action-oriented concept of family harmony. Nepal has been facing problems since her first development plan related to archaic migration patterns, lack of corporate Royalty, absence of self-employment training and encouragement, which have all made their deep inroads to the failed industrial scenario of the country today.

It must be the government, now that a free society is here, that must take the first initiative in curbing isolationist thinking amongst some of the investors and entrepreneurs in Nepal of sacrificing their vested profitable interests in order that they may view the "forest as well as the trees" of industrial house.

It must be entrepreneurs, investors and businessmen on the other hand that must come up with realistic macro approaches to educate the government that unless a relevant economic approach is taken to diagnose and find practical remedies to pressing entrepreneurship development problems, today's dilemmas will continue being tomorrow's headaches.

In the analysis of many industrialists and foreign investors there are certain Asian business qualities that also pervade the Nepalese culture. Aspects which if studied and fully utilised might suddenly turn Nepal around to a newly industrialising country from a industrially stagnant one. Qualities such as perseverance, dedication, manufacturing and touch-up skills, and an all encompassing humble approach to learn from mistakes.

It is these qualities that have spurred more than 60 percent of Japan's small-scale entrepreneurs to make Japan "Number One" internationally, from the perfection of high value jewellery to the last touch-up on

carpets made from New Zealand wool. With Nepal's high value productivity scope in the perspective of multinational corporations, where labour charges are more than 400 percent down from the West, we can consider ourselves one of the appropriate industrial grounds of the future.

Yet, many businessmen complain that the government is not acting as the eye-opener, not producing enough transportation networks to prospective industrial belts, diffusing water resources development plans, and simply sustaining an artificial industrial base where soft drinks, beer and cigarettes seem to be the only priorities, neglecting traditional arts and crafts, public dairy industries, housing and physical needs-based products. It appears that in the past, certain constraints have always been given a blind eye by Nepal's industrial policy makers and businessmen.

Let's make no bones about it. Firstly, the launching of all major industries, including multilateral governmental investment, have been executed without appropriate market and profitability prospects, macro-economic productivity prospects or long-term growth vs. stability issues.

Secondly, our resource base, which has primarily been India-based, has excluded access to external imports in raw materials and technologies with the result that technology needed for industrialization is becoming ever more exorbitantly priced, while the needy and prospective entrepreneurs hang out on the fringes of our industrial sector.

Thirdly, government policies and regulations, as mentioned in the white paper, were discriminatory on the issues of product pricing, trade, taxation, labour, foreign investment collaboration, patent rights and international licensing.

Fourthly, the infrastructure base, including power transmission, transport and communication links, and logistical support services to be given by the government were discriminatory against the majority of entrepreneurs.

Finally, the government failed to initiate any action on previous suggestions provided by a few worried industrialists to ease down on foreign investment restrictions.

#### **Inter-Governmental Board**

What HMB must do immediately, in the representational cause of Nepal's new industrial initiative is develop an inter-governmental board, representative of all these sources beside foreign investors, to hit out the issues without bias to any quarter. Such a step has become not only necessary but quite indispensable if the Nepalese entrepreneurs' quests for freedom of industrial pursuit are to find a more genuine voice in action.

#### **Production Sector Investment Said Vital**

90AS0255B Kathmandu *THE MOTHERLAND*  
in English 12 Jul 90 p 4

[Article by Bijendra M. Shakya: "Private Sector Investment - Government Initiatives Needed"]

[Text] In a resource constrained least developed country like Nepal the problem of investment begins from the vicious circle of poverty, which is one of the major traits of such nations. The trait simply states that these countries are poor just because they have low investment resulting in low production, low income and finally low investment-repeating the circle of poverty again and again.

#### **Major Task**

Without strengthening investment in industrialization the development of the production sector will not be achieved. Thus, a major task for the least developed countries in this context is the expansion of internal investment to boost their economies.

Underdeveloped countries thought for many years that government investment in public enterprises could accelerate industrial development and that such investment would bring fast returns without disturbing consumer interests. But, in fact, the concept proved to be wrong as government investment alone was not found enough for rapid industrial development. On the other hand most of the public enterprises could not stand on their feet as they mostly seek financial assistance from the government for their operation beside making these enterprises profitable.

The case was the same in the context of the Nepalese economy, because a handful of public enterprises were established so as to control the entire basic need industries by the government, like in the centrally-controlled economies. This device, however, was supposed to check consumer exploitation as the public enterprises would not seek huge profits. But, in reality, the public enterprises could not meet the demand in totality. And due to lack of competition, they were neither able to make the products available in fair prices nor could they develop the products qualitatively.

Slowly, the policy makers of the country began to realize the need of private participation for rapid industrialization.

Nepalese planners and policy makers then gradually tried to formulate a conducive industrial environment to attract private investment in industries. The industrial policy was formed as a concrete step by the government for industrial development. During the Sixth Five Year Plan, the number of industries was increased and investments were also found to be diversified with the result that the contribution of the industrial sector to the gross domestic product reached 10.5 percent by the end of the Plan.

However, the pace of industrial development still lags behind, and recent figures show that the sector's contribution to the GDP [gross domestic product] stands at only 6 percent despite the government's high propagation of industrialization. One very weak point in terms of the implementation of the existing industrial policy is that it is yet to fascinate private investment adequately on the industrial sector. The trend of private sector investment in real estate and other unproductive assets still continues in the country.

The reason for this is simply the lack of people's trust in the government guarantee for the protection of their investments and regularization of facilities to the indigenous industries as the policy implementation in practice was directed in wrong ways depending on the instructions of bureaucrats in the past. No wonder that the number of industries, over the years, increased in alcohol, beer, and cigarette rather than in the basic need industries. Also, protection was given to the low value-added industries such as TV and other electronic assembling industries instead of developing high value-added industries, which were based on indigenous materials and local employment.

For a poor country like Nepal, the establishment of industries, whether small or large-scale, should be in the basic consumer products and priorities should first go to these industries if the government is to stimulate scarce financial resources in industrial sector leading to the welfare of the entire economy.

Thus, without proper and strict implementation of the industrial policy, private sector investment cannot be diverted to the production sector. The policy should therefore guarantee a favourable industrial environment by assuring all assistance to the indigenous industries for their constant development.

For this, the procedure of licensing of industries should be simplified and made liberal and there should be an easy access to imported raw materials by providing foreign currencies, for the industries based on Third Country raw materials, as well as reasonable protection from the government despite internal competition.

Without such provisions, the trend of private investment will continue to focus on easy investments such as investment in real estate or securities like gold. Investment, in these properties, though unproductive and having fixed rate of return lack risks, which without doubt attract people.

Thus, if the government is true in its emphasis on the importance of the private investments for rapid industrialization in the changed political context, it should be able to divert private sector investment from unproductive to productive sector by assuring its full fledged support.

### Key Obstacle

Then it ultimately becomes one of the major sources of scare investment in the economy where the financial resources are always a key obstacle in the development process at the macro level.

### Commentary Views 'Fluidity' Over Constitution, Politics

90AS0251A Kathmandu *THE MOTHERLAND*  
in English 6 Jul 90 p 3

[Text] Both Lokendra Babadur Chand and Surya Bahadur Thapa by opening parties seem to have only marginally attracted panchas and the delay in expanding their organisational base has created confusion. Had there perhaps been unanimity in the opening gambit of having one party of erstwhile panchas, an effective option to the Congress and Communists would have been created as a cushion towards further radicalisation of Nepali politics.

On the other hand, it was perhaps inevitable that the dismantling of the panchayat system would mean a sizeable number of former panchas seeking entry into the established political parties. The right and the left have both kept their doors open for panchas willing to shed their former loyalties and take up the cause of these parties. It is significant that the Congress Working Committee meeting should publicly release in its agenda the fact that they are to take up the role of former panchas in their party. Perhaps even more important is the fact that Communist cadre in the rural areas emerged from teaching in schools and begun wooing former village panchayat workers. It is significant they have much of the Left leadership is still largely a secret and the offices they have opened both in urban and rural areas are largely for contact with the leadership staying away from these. This continuing fluidity must be watched especially when the date of the announcement of a new constitution approaches.

### Commentaries View Education Scene

#### Problems of Higher Education

90AS0252A Kathmandu *THE MOTHERLAND*  
in English 7 Jul 90 p 4

[Article by Binod Bhattarai: "Higher Education, How High Is It?"]

[Text] After imparting higher education for more than three decades, the Tribhuvan University, it appears, has yet to learn many lessons. Also the students, after more than ten years at the school, still seem to be struggling with the lesson taught on the first day: "Why should one study?" And if the present does the telling, Nepalese colleges have more of everyone other than true students and teachers ruling the roost.

### Thorough Search

Among the students, one can find leftists, rightists, centrists and also eccentrics. The real student can be found only after a thorough search. The teaching community also has them all: the good, the bad and the ugly.

The past of the education system cannot also be buried. Experiences show that the varsity has been more a laboratory to test the different education theories, rather than a learning house. The earliest experiment was carried out with the introduction of the new education plan.

Hurried adjustments were made in the existing pattern and education infrastructure, when the system was imposed in the colleges all over the country. Evaluated today, the move proves to have done more harm. New teachers were haphazardly hired to meet demands of the Naya Siksha infrastructure. The switch to the semester system (the credit hours and all), came just too fast for both the teachers and the students to cope with.

And instead of finding ways to adjust to the pattern, the country hurriedly jumped back into the old system of yearly instruction and annual examinations. Another mess. Presently the authorities are still struggling to get adjusted to the new-old form. They are still to get fixed to a firm academic calendar.

The politically polarised campus unions have never helped much. As a result, some of the new education system's better aspects were lost in the intra-student politicking and the battle for their rights with the new defunct Panchayat. The National Development Service (NDS) which came as the new idea that had hope, became the first casualty in this sector. Today it is slowly dying a natural death.

All efforts to revive this work-and-learn method of study that required the Master Level students to live in the villages for a full year, and present a research paper at year end, has today been clipped to a three-month jaunt. Under NDS today students "ideally" require to spend three months in the village involving themselves in some development work.

For many students, NDS, in its present incarnation, has become more a paid vacation, as students not only do not bother to live in the villages but also do not write their own research papers. And they pass to graduate eventually into the different jobs that are available. Ironically many end up with chalks and dusters to teach the new faces on the class-room benches.

All these point to the need for a major revolution in the country's higher education machinery. There are many lessons that have to be learnt from the past. New concepts also need to [be] introduced. The students need to look back into history to see what disruption in the academic calendar can do to their future. The most

recent example in this regard is the aftermath of the political storm that passed the country about ten years back.

Not only did the break delay the academic aspirations of the students but the effect also crept into the job market because the degree (needed for the job) was in possession of only those who had passed before the turmoil. The linkage of the education system to the job market (must be a graduate to become an officer), has also not helped much to better the quality in the system. The students want degrees, not knowledge and do not care who teaches or what is taught. For most teachers a job at the university is more an attachment that has easy work hours and leaves them free to conduct private tutorials or pursue individual consultancy projects.

The root reason for this digs deep back into the education infrastructure. The economics of living and the low pay packets for the teachers is one of them, researchers say.

The university, in the present context, has more problems than any quick way to the solutions. And naturally, the changed atmosphere makes all optimistic of the steps towards the future. Also, whatever happens to the state of higher education, depends on the players, the state, the society, the teachers, the leaders and the students.

Now that democracy has been restored, it is also time to keep politics out of the college environs. In this context, it will be better if the students decide it themselves for their own future is intricately linked with this decision.

Agreeing to the examination timetables and seeing that they are held on time becomes the primary task in this regard. Getting the authorities to re-adjust the schedules, will, while just causing petty administrative problems for the authorities, land a more severe blow on the future of the students themselves. Politicians in the student circle also have little to lose in this regard.

It is also time for the students to depolarise themselves. With the government in the hands of representatives who have popular acceptance, it is time for them to leave politics to them and concentrate more with studies. The guiding principle in this regard is that politics will not help them pass.

The teaching community also has room to be more responsible. Since the people they teach today will be steering the nation tomorrow, they have the moral obligation to ensure that the managers of tomorrow's nation are more capable. In this regard, the recent university decision that said that all the teachers in temporary service will be made permanent, is questionable.

Before implementing such a decision, the authorities should first decide whether the country's education is geared towards quality or is moulded towards more egalitarian principles where all who want to teach will be given jobs and all those who want to study, an education.



There are, at the moment, just too many problems in the country's higher education. And if the recent talk programme of university authorities on Nepal Television, tells anything, the university at the moment is more concerned with the problems of the administration and those dealing with the teachers. All this while the students have been left on the sidelines.

The authorities could do better in this regard by looking at the decisions that will address to the problems of the students. The conditions of the classrooms, the collection of books in libraries and revision of the existing curricula are some areas that call for immediate attention.

### Euphoria

After the euphoria that has come with the changes dies, people will start looking for results. The present should thus be looked [at] as an opportunity to stream-line the whole set up. Problems that relate to the teaching community, the administrative set-up and students should all be given fair hearings. And above all, there is a vital decision that must be reached, and fast. Before any other decision is made the authorities should be clear on whether they are for a quality education or an education for all.

### Need for New Policy

90AS0252A Kathmandu *THE MOTHERLAND*  
in English 10 Jul 90 p 4

[Article by Mukti Rijal: "Education: Need for Restructuring"]

[Text] The Ministry of Education and Culture has come out with an important announcement. It has solicited suggestions from educationists and others concerned on enacting new guidelines and policies for the educational system of the country. The intent of the announcement seems to offer participation to all walks of people in framing the national education policy.

### Enthusiastic Response

Since the country has gone over to 'pluralism' with different political parties playing key roles in policy legislation, the announcement made by the Ministry would surely evoke an enthusiastic response from the people. The announcement is very timely because the education machine that went on rolling for quite a long time in the country did not only need oiling but overhauling too. But the overhauling needs to be carried out taking cognizance of the opinions and views of teachers, supervisors, education administrators, experts and so on.

Indeed, the national objective of education has to be redefined. The curriculum and organisational structure require rethinking and reformulation. There is thus a stupendous task to be undertaken.

However, the authorities at the helm of affairs should not give in to some superficial changes and should ensure that the entire gamut of educational issues are dealt with innovative approaches.

Many countries have given thought even to what education should be like in the twenty-first century. They have emphasised on the curricula that could enable the learners to cope with the challenges and demands of the twenty-first century that is not very far away.

We have reached a critical juncture and it behooves us to decide the course we have to fare in the days to come. The decision taken and the foresight entwined with it could help sustain the journey we undertake for the future. The shape of education should be so mapped as it could reflect the democratic values and steer the society through the decades to come.

There are grounds to hope that the suggestions that go to the Ministry would be realistic and forward-looking and the authorities would also sift through them so as to make the country's educational system capable of answering the challenges.

The focus of an educational system should be on the learners. Education should empower learners to think and act independently and rationally. An independent and dispassionate spirit in the learners contributes to laying the groundwork of a true democratic society.

Intellectuals and academics who change their hues and tunes and fear to speak out what they believe is correct are 'timids' and harm a democratic society. An educational system should see to it that no 'timids' are produced through its process.

One defect of the earlier education system was that it produced intellectuals and academics who dared not speak the truth. It may be due to the very undemocratic nature of the Panchayat policy that it did not allow the intellectuals to be objective and criticize it. Though there were intellectuals who vehemently stood against the Panchayat system, many began to change their tune only after the system collapsed.

Now a lesson must be learnt from the past mistakes that the education system should remain divorced of political interests and influences and learners be imbued with an independent spirit so that they could pinpoint weaknesses and anomalies without any fear.

No atmosphere should exist by dint of which the academics who are allied with the government or the party in the power gain much rather than those who are independent and do not fear to criticize the government policies fairly.

Independent inquiry and criticism helps society to correct its mistakes, if any, in time. And it is the education system that should implant an atmosphere by dint of which intellectuals could guide the society as its trail-blazers.

Another very significant aspect that requires consideration at this juncture is making education compatible to social needs. An educational system that does not reflect the social needs and aspirations gives rise to numerous social problems. The problem of educated unemployment, dearth of competent manpower for enhancing development and an intellectual apathy towards the social problems are some of the anomalies that crop up should the educational system remain detached from social needs and imperatives.

Today, we have seen that the problem of unemployment is becoming acute whereas we do not have competent manpower to meet our needs for development projects. This is on account of the fact that education has become "education for education's sake" rather than "education for the society's sake."

When we are now talking about the total restructuring of the education system we need to think that each level of education should be self-terminating. For example, the objectives of each level should be clearly laid down so that the learners completing that level could be enabled to gain the skills and behaviours envisaged for the level.

The curricula, teaching-learning strategies and materials should be so designed as to serve the purpose of each level's objectives. This makes it possible that the learners, after completing the certain level of education, could gain the requisite skills and behaviours to tally with the social needs of the country.

A learner who has completed primary education should not consider that the level that he or she completed is not the stepping stone for the secondary level. It should rather be the level of education that could impart the skills and behaviours by means of which the learner could engage in socially useful activities.

The most important aspect of education is the provision of the educational technology. At a time when computers and satellite communications have become an essential part of educational aids and materials, we have to rely on the very primitive sort of educational materials. The provisions of chalk, duster and blackboard are yet to reach our educational institutions.

However forward looking the curricula may be, it cannot serve its purpose if its execution is not supplemented by educational aids and materials. While thinking about the restructuring of the education system, we should not lose sight of educational aids and materials.

#### **Educational Materials**

A greater amount of resources should be allocated so as to equip the educational institutions with educational materials. If this is not done, and the structural change that is now being considered is limited to paper work, the changes that are expected could again remain unattained and unrealised.

## **PAKISTAN**

### **Editorial Urges Center-Punjab Negotiators To Get Serious**

90AS0256B Lahore THE NATION (Supplement)  
in English 10 Jul 90 p 2

[Editorial: "Reconciliation Drill"]

[Text] The Centre-Punjab reconciliation drill has been on again. The two teams met on Sunday for the third round of dialogue and reportedly discussed a 16-point 'provincial agenda'. Judging by the issues taken up at the five-hour long session, one would have imagined that the negotiations have reached such an advanced stage that the two sides were now grappling with some basic policy matters. Nevertheless, there have been no follow-up measures to suggest that anything substantial has, so far, been achieved which could pave the way for the elusive reconciliation. Nobody should dispute the relevance of discussing Wuller Barrage, apportionment of Indus waters and Kalabagh Dam, as all these issues are vital for Punjab's economy and also signify divergence of perceptions between the two parties. But, by no stretch of imagination they are the root cause of confrontation between the Centre and Punjab. And until such time the negotiating teams had worked out a viable formula for 'peaceful coexistence' the climate could not have been congenial for a meaningful dialogue on issues of such national importance.

The manner in which the so-called reconciliation exercise has been carried leads one to the conclusion that it is nothing more than a pastime for the negotiators who don't seem to have either the mandate or the stature to make any real breakthrough. It isn't, therefore, surprising that the ongoing exercise does not have much credibility and suggestions have been made for a face-to-face meeting between Ms Benazir Bhutto and Mian Nawaz Sharif. So long as the peace-talks are being held in a vacuum, totally unrelated to the ground situation, and the business of mutual vilification goes on as usual, the reconciliation process, notwithstanding pious wishes, will be deemed as an exercise in futility. The first item on the agenda of the venerable negotiators should be to find ways and means of putting an end to the 'war of words' and the recurring manoeuvres to discredit and destabilise each other. All other issues can be taken care of later.

### **Editorial: Kashmir Diplomacy 'Long, Hard Struggle'**

90AS0256A Lahore THE NATION (Supplement)  
in English 10 Jul 90 p 2

[Editorial: "Prime Minister's Second Mid-East Tour"]

[Text] Prime Minister Benazir Bhutto would be leaving today on the second leg of her tour of those Muslim countries which, because of paucity of time and pressing business at home, got left out in the first part of her tour. Although it is natural for such visits to be used to discuss

important regional and bilateral issues, the main thrust of the talks remained, and is going to remain, Kashmir. The response of all the countries she visited earlier was positive and encouraging, even though India had launched its diplomatic offensive earlier and had been boasting about having preempted Pakistan's efforts. Even now India has tried to use the interregnum between Ms Bhutto's two tours to canvass certain Muslim capitals and claims having earned the support of quite a few Muslim countries. This support is said to be for the view that Kashmir is a bilateral issue under the Simla Agreement and should not be aired in international forums. Pakistan's immediate target being the OIC [Organization of Islamic Conference] Foreign Minister's moot, the Indian effort is clearly directed to wean away as much support from Pakistan as possible. India hopes to achieve that, firstly, by reminding the Arab world of its support of the Palestine cause and, secondly, by pointing out that Pakistan's claim has lapsed with the passage of time.

Pakistan can easily counter these arguments. Pakistan's commitment to both the Arab and Muslim causes has been much greater and more consistent and there are strong legal and moral grounds to prove that the Kashmiris have an inalienable right to self-determination. The chances therefore are that Ms Bhutto's pleas will be heard with sympathy, particularly as India has stonewalled Kashmir against any neutral probe and the tales of its brutalities against the Muslims of the Valley are widely believed now. The fact that Pakistan has a strong case need now, however, lull us into complacency. The Prime Minister's tour and the diplomatic effort being mounted at a fairly large scale to apprise the people of the Middle East and Africa about what is happening in Kashmir, is therefore essential. The moot point to be stressed during the course of the visit is that the Kashmir issue should be resolved according to the relevant UN resolutions rather than the Simla Accord to which India gives its novel interpretation, precluding international forums like the UN, etc. But it also needs to be recognised that India is not likely to be deterred from the path that it has chosen, simply because OIC Foreign Ministers pass a resolution favourable to Pakistan. To convince the world that Kashmir's cause should be supported is going to be a long and hard struggle in the days ahead. Pakistan should be prepared for that.

## SRI LANKA

### Commentary Views India's Lankan Policy, Other Issues

90AS0241C Colombo THE ISLAND in English  
9 Jul 90 p 9

[Commentary by K.S. Sivakumaran]

[Text] The English weekly from Kerala (published in Cochin), THE WEEK (1 July) in a cover story with photographs of Tiger supremo Prabhakaran and DMK [Dravida Munnetra Kazhagam (Dravidian Progressive

Foundation)] chief Karunanidhi, among other illustrations and features gives the current Lankan political scene from an Indian perspective. Some of its headlines are: Sri Lanka: the last battle, which side is Karunanidhi on?, Will the Lankan army achieve what the IPKF [Indian Peacekeeping Force] couldn't bring the LTTE [Liberation Tigers of Tamil Eelam] to heel, fight to finish.

What is relevant to us, however, is perhaps what is happening in the South Block in New Delhi. In a separate box story signed by a correspondent, THE WEEK gives some information which might interest our readers.

"The first foreign policy decision of the National Front Government when it came to power was to dismantle the Sri Lanka policy of Rajiv Gandhi. In the six months since, neither U.P. Singh, nor Foreign Minister I.K. Gujral has had time to work out the India strategy to deal with the troubles in that country...

"The government was so sure that hostilities would not break out in the near future that it moved out key persons involved with Sri Lanka policy. Foreign Secretary Muchkund Dubey, who has more expertise in economic diplomacy than political military diplomacy, is just settling down to his new job. Kuldeep Sachdev, the joint secretary in the Ministry of External Affairs looking after Bangladesh, Sri Lanka and the Maldives was shifted to Italy. But after the hostilities broke out in Sri Lanka, Sachdev was asked to stay on temporarily. This became necessary because the Indian high commissioner in Sri Lanka, L.L. Mehrotra, who succeeded J.N. Dixit last year had been moved to the ministry as a secretary. His successor N.N. Jha, brother of PM's new information advisor Prem Shankar Jha, who was ambassador in Yugoslavia, is yet to familiarise himself with the issues.

Jha has the advantage of being the only IFS (Indian Foreign Service) officer who knows Sinhala well, but having last served in Sri Lanka in the 1960s may not be fully aware of today's realities."

In the same issue, A.P. Venkateswaran (the former Indian foreign affairs secretary, and one who contested the last Indian elections as an independent and lost) in his weekly column has suggested that the fighting now on should stop and the rights of the ethnic Tamils are protected as far as possible. He concludes: 'For it has been said that he who sows the wind should reap the whirlwind.'

### Lankan Refugees in Kerala

Us Sri Lankans, though belonging to an ideal paradise isle are yet an unfortunate lot judging by the repeated calamities that befall on us particularly since the 70s. Perhaps it has got to do something with our way of spelling our country in English. Being a person who believes in numerology, I couldn't resist listening to what a numerologist told me once. He said that 'Sri Lanka' as spelt that way in English is numerologically not positive

for us. People who matter might bring this to the notice to our President and legislators to consider a slight change in the spelling of the name of our country. All communities in this country suffer on account of destruction and violence. The Tamil people among us go as refugees to the neighbouring India. And as refugees they suffer.

In recent times, they had gone to Tamilnadu and Orissa and Kerala. According to a report in THE WEEK (3 June), the government in that state shuns Lankan refugees. The acute scarcity of land is said to be the reasons for not accepting Lankan refugees. P. Aravindakshan in his report says:

'The extensive Kulathupuzah rubber plantations in Quilon district, raised under a scheme for rehabilitation of repatriates who came to India following the Shastri-Srimavo agreement, proved a rare success of a public sector venture in Kerala. But the government did not like it when more and more repatriate families poured into the plantations, creating a problem of numbers. Originally 675 families were settled in the area, but now there are nearly 4500.'

It is said that the government frowns upon the comparative affluence of the repatriates in Kerala. 'But everyone concerned agrees that the repatriates are much more productive than local labourers,' says the correspondent, and adds that 'yet another cause for worry is the alleged links between the repatriates and the militants of Sri Lanka.'

#### **Hurdling Cultural Barriers**

The notable sarod player in India Amjad Ali Khan has said that 'I am a Muslim myself but I have no difficulty

in playing Indian classical music which shows the deep influence of Hinduism. I am able to do this because music speaks the language that religion teaches us.'

#### **A Journalist's Freedom**

THE ISLAND contributor from India Kuldip Nayaar who wrote 'Between the Lines' syndicated column, and authored a few books, particularly on the Emergency period under Indira Gandhi's regime is now comfortably seated in London as India's High Commissioner in U.K. A former journalist he is reported to have told journalists in London that 'As long as I'm here you won't be stopped from going to India. You can write what you like or don't like about my country.'

#### **Casteism in Tamilnadu**

The names of castes in the Tamilian caste system in Sri Lanka is slightly different from the names in Tamilnadu in India. Here we have the Vellalars (farmers), Karayars (fisherfolk) etc. There they have the Pillais, Mudaliyars, Thevars, Nadars, Aadhi Dravidars etc. Murderous caste conflict goes on in Tamilnadu, particularly in the Ram-nathapuram district. It is reported that in Rajapalayam, for example, the Rajus, the Nadars, the Aadhi Dravidars and the Thevars live on separate streets and have their own temples. Vincent D'souza writing to THE WEEK magazine (3 June) says:

"The communal divide certainly reflects on the social hierarchy, the Rajus are at the top and they own lands and business interests; the Nadars take their lands on lease and tend them or depend on the Aadhi Dravidars for labour; some Aadhi Dravidars have small holdings; and the Thevars are usually labourers."



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